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TODAY: **STYLE**

## OPEC to Meet In Crisis Mode As Oil Prices Keep Dropping

By Agis Salpukas  
New York Times Service

NEW YORK — The lowest oil prices in years have created a severe crisis for oil-producing countries both inside and outside OPEC, and they have been struggling to reverse the decline.

The Organization of Petroleum Exporting Countries has found itself increasingly impotent in the oil market, and as its 11 member nations prepare to meet in Vienna on Wednesday, a new, loosely structured coalition has emerged. It is led by such big OPEC members as Saudi Arabia and Venezuela, as well as such non-OPEC giants as Mexico and Norway.

Whether such a coalition can turn prices around remains open to question, however. The production cutbacks that these countries and others made this spring fell far short of the amounts pledged, and oil prices, which initially jumped, ultimately gave back all their gains.

For the 11 OPEC members, the dimension of the crisis can be summed up in one simple statistic: their collective income from oil has fallen so far this year by a full third, or the equivalent of \$45 billion. And there is no apparent end in sight as the collapse of several Asian economies has diminished demand for oil in what used to be the fastest growing energy-consuming market in the world.

Saudi Arabia, the world's largest oil producer, has quietly borrowed some \$2 billion from its domestic banks in the last month to meet public expenses as it discreetly prepares to reduce its budget by at least 10 percent and raise indirect taxes across the board on services — all to offset the most serious fall in oil revenues in a decade.

Elsewhere, there have been warnings of social unrest unless producers drastically cut their oil production to raise prices. A hint of things to come may be seen in Yemen, one of the world's smallest oil producers. Since Saturday, several cities have exploded in riots as thousands protest a cut in subsidies for bread and fuel imposed by the government as it struggles to compensate for lost income from oil exports.

Some oil industry analysts say that the coordinated production cutbacks announced this spring have kept prices from falling even lower. Moreover, a second round of cuts has been announced for July.

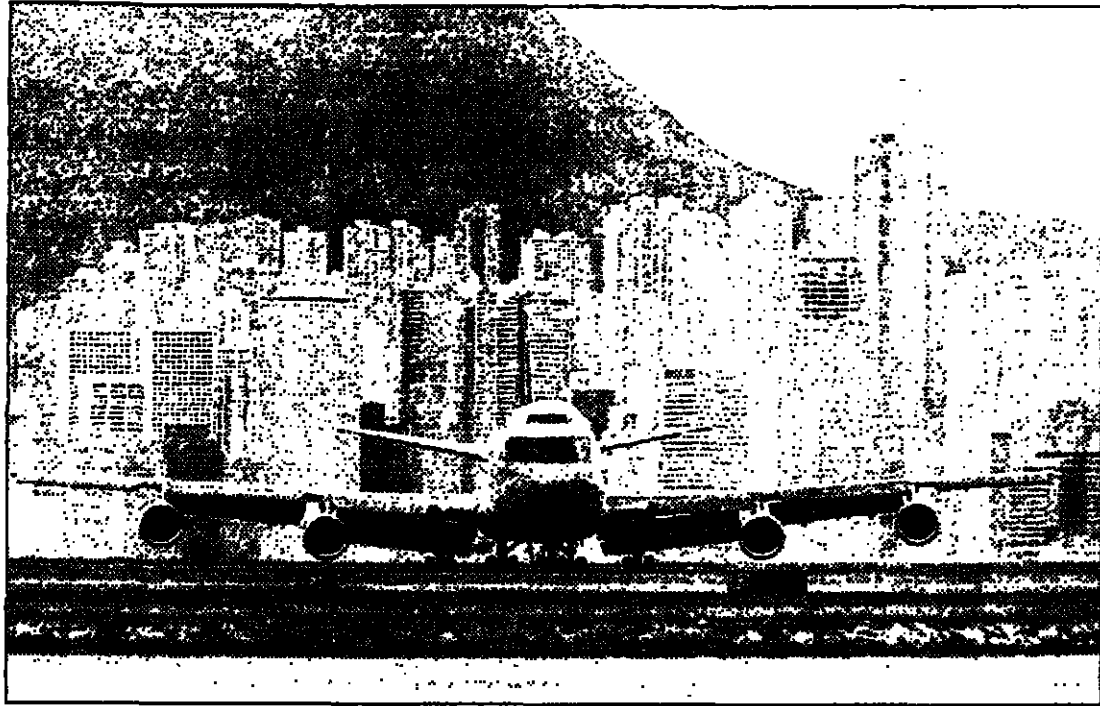
Others, however, dismiss the current effort as doomed in the face of compelling market factors, such as the slowdown in Asia, the rise in energy conservation and the development of technology that has made the discovery and extraction of oil far more efficient.

In any case, after many years of widespread cheating on production quotas by its members, the once-mighty OPEC has become virtually powerless in influencing the oil market by itself.

Prices have plunged more than 48 percent from a 52-week high of about \$23 a barrel in October, reaching below \$12 in the last week. On Monday, however, a barrel of sweet crude for July delivery was being quoted in late New York trading at \$13.62, up \$1.76.

"This may be the end of the old OPEC, but a wider organization may take its place that may be more effective," said John Lichtblau, the chair-

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A plane taxiing to the terminal after landing at Hong Kong's Kai Tak Airport as the city looms in the background. Kai Tak is scheduled to close July 6, when Chek Lap Kok will open.

## Jiang Has His Eye on History

China's Leader Appears to Stake Legacy on Strong U.S. Ties

By John Pomfret  
Washington Post Service

BEIJING — In a documentary broadcast nationwide on China's main state-run channel, President Jiang Zemin was shown bobbing in the surf last October off Waikiki Beach in Hawaii.

While Mao Zedong, Communist China's "great helmsman," swam in the Yellow River and his successor, Deng Xiaoping, bathed in the Gulf of Bo Hai, the narrator intoned solemnly, Mr. Jiang frolicked in the wide-open waters of the Pacific Ocean. "Isn't this a sign of China's openness and historical change?"

As the first visit of an American president to China in nine years approaches, Mr. Jiang, like his counterpart, Bill Clinton, is thinking about his place in history.

While Mao united China and Deng opened it to the outside world, President Jiang appears to have staked

his legacy on building a stable and strong relationship with the United States.

For now, his ambitions conflict with the reality of a complex and often fractious relationship with Washington. On issues such as Taiwan, trade, security and human rights, the two countries remain far apart, American and Chinese analysts say.

As a result, "Clinton's trip is extremely important for Jiang," said David Shambaugh, the director of the Sigur Center for Asian Studies at George Washington University. "In the end, the Clinton visit is much more about symbolism than substance and the symbols definitely bolster Jiang at home and abroad" by casting him as Mr. Clinton's partner in spite of the bilateral differences.

Late last year, Mr. Jiang took over the top position on the Communist Party's foreign-affairs working

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Viorol Moldovan after scoring the first goal in Romania's 2-1 victory over England on Monday in Toulouse. Page 25.

## After Flowers And a Photo, Iran Has Night To Remember

By Jere Longman  
New York Times Service

LYON — The Iranian players shook hands with the Americans, handed them white flowers symbolizing peace and even posed together for a team picture. But friendship extended only so far. There was a soccer game to win, and not only did Iran prevail, 2-1, but this historic victory knocked the United States out of contention in the World Cup.

This was the first time that Iran and the United States had met in soccer and the first time that Iran ever won a game in two trips to the World Cup. The countries exchanged visits by their Olympic-style wrestling teams this year, and have participated in the Summer Games, but this was the most visible head-to-head sporting event between the two countries since the Islamic revolution in 1979.

In victory on Sunday night, Iranian players said it was significant to have defeated the Americans, and not necessarily for political reasons.

"I think it is important after 20 years of situations to show that the things said about Iranians are not true," said Iran's goalkeeper, Ahmadrza Abedzadeh. "We were courageous and we played fair. That is very important."

Both teams seemed to go out of their way to show that they could be courteous and friendly even if their governments could not. The only demonstration was a vigorous but peaceful protest against Iran's Islamic regime,

See SPORT, Page 25

## Nigeria's Military: Looking for an Exit?

Contacts With Opposition Are Reported on a Safe Way to Leave Power

By James Rupert  
Washington Post Service

ABIDJAN, Ivory Coast — Two weeks after the death of Nigeria's leader, General Sani Abacha, the military government is opening contacts with opposition figures as a start to an apparent search for a safe way to leave power, Nigerian political sources said.

In the most important such contact, members of the military's ruling council have been negotiating since last Tuesday with their most prominent opponent, Moshood Abiola, said a government source quoted by Reuters news agency.

Mr. Abiola, the evident winner of Nigeria's 1993 presidential election, has been jailed by the military for four years for claiming the right to rule.

The efforts at dialogue under the new military leader, General Abdulsalam Abubakar, appear to represent the first hope in months for reducing political tensions around the broad, popular demand in Nigeria that the army give up

power. But "the military is moving quite gradually and by piecemeal action," said Isawa Elagwu, a political scientist at the University of Jos.

Mr. Elagwu and other analysts said it was uncertain how far the military might ultimately move toward demands from within Nigeria and from other nations — including the United States — that it hand power soon to a civilian government.

In particular, it is unclear whether the armed forces, who are dominated by northerners, and the country's vigorous pro-democracy movement, led by southerners, might overcome years of bitter feuding to find grounds for compromise.

Several analysts said top officers have suggested that General Abubakar

may lay out a fuller position after official mourning for General Abacha ends July 7.

Generals have ruled independent Nigeria for 28 of its 38 years, and nearly every one has broken solemn vows to cede power to elected government. This has left many Nigerians cynical about reports that the military plans to leave power.

Before he died June 8, reportedly of a heart attack, General Abacha was pursuing a supposed transition to an elected government in which he was the only legal candidate to become the civilian president.

But unlike General Abacha, General Abubakar "has no political ambitions,"

See NIGERIA, Page 8

## North Korea Sub Is Snagged Off South

By Don Kirk  
International Herald Tribune

SEOUL — A North Korean midsize submarine was snared in the nets of a fishing boat in South Korean waters and was towed into port by the South Korean Navy on Monday in an incident that could complicate efforts to improve relations between the two Koreas.

The 70-ton submarine, with several North Korean sailors aboard, was snaggd 18 kilometers (11 miles) off the east coast port of Sokcho, about 33 kilometers south of the North Korean border, according to South Korean military sources.

Two years ago, a 325-ton North

Korean submarine ran aground some 50 kilometers to the south, leading to a breakdown in attempts to bring the two nations to the negotiating table.

The skipper of the South Korean fishing boat, Han Ki Chul, told South Korean reporters that "I saw one or two people working on the submarine," apparently North Koreans trying to free it from the net.

"The submarine was afloat," he said. "It was not sinking."

About five or six North Korean sailors were believed to be still inside the submarine as a South Korean corvette towed it to a navy base near Sokcho, said Colonel Park In Yong.

South Korean soldiers and sailors

were trying over loud speakers to persuade anyone inside to surrender.

North Korea uses a fleet of 50 small submarines similar to the one snagged Monday for espionage and infiltration.

The South Korean military has not officially verified the type, tonnage or other details.

After South Korean sailors had a chance to look at the submarine more closely as it was under tow, however, defense officials moved toward the view that it had not sailed south to land commandos or even to engage in espionage.

"The submarine was already con-

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## Hong Kong Girds To Enter Recession

New Airport Puts Pressure On Economy

By Philip Segal  
International Herald Tribune

HONG KONG — As a cure for a city in recession, Hong Kong's super-expensive new airport may not be what the doctor ordered.

With two weeks to go until the airport at Chek Lap Kok opens to the public on July 6, Hong Kong businesses are facing cargo bill increases of as much as 30 percent — part of the price for one of the world's most expensive public building projects.

A \$20 billion endeavor that includes the airport, tunnels and the world's longest suspension bridge needed to reach it, Chek Lap Kok is the world's second most expensive airport after Japan's Kansai International Airport, which like Chek Lap Kok is built on reclaimed land.

The problem with the new airport is timing. Even though Hong Kong's economy shrank by 2 percent in the first quarter of the year, buffeted by the Asian financial crisis, a city that prides itself on being an efficient cargo and transportation hub is getting ready to swallow increases of as much as 30 percent in handling fees for freight, and 20 percent for passenger-jet landing fees.

The International Air Transport Association, which had previously forecast annual expansion of air traffic in the Asia-Pacific region at 7.7 percent through 2010, has cut that estimate to 4.4 percent.

For many here, pride in having an airport that is a triumph of modern engineering is outweighed by the expense of the project.

"It's great to have a new airport in Hong Kong," said Jim Eckes, a Hong Kong aviation consultant and broker at Indoswiss Ltd. "It's just built in the wrong place, it cost too much money and it was built at the wrong time."

Built next to what used to be a small island to the west of Hong Kong, the airport project begun in 1989 once employed one third of the world's dredging fleet.

A series of tunnels and bridges and a new rail line will run passengers out to the new terminal. The British government planned an expensive airport in part to demonstrate confidence in Hong Kong's future after the massacre near Tiananmen Square of 1989 led to panicked lines of people seeking passports from foreign consulates.

Now, an airport that might have cost \$4 billion had it been built on existing land in Hong Kong's New Territories has to be paid for with higher plane

Government To Halt Sales Of Property

By Mark Landler  
New York Times Service

HONG KONG — Seeking to stop a frightening downward spiral in its property market, Hong Kong's government announced Monday that it would halt its sales of land until March as it officially confirmed for the first time that the territory was headed for recession.

The action, which was announced after the Hong Kong stock market closed, is the starkest sign yet of how deeply the Asian crisis is hurting the territory's normally resilient economy.

Property prices drive the broader stock market here, and the government is the biggest single landowner, selling about half of Hong Kong's new residential property in public auctions. By trying to halt land sales, the government will effectively freeze real estate prices at current levels. The move amounts to a massive government intervention in Hong Kong's most important business.

"The Asian crisis has brought a lot of suffering and pain to Hong Kong people," said Tung Chee-hwa, the chief executive of Hong Kong. "We believe we are in a critical phase and, therefore, we have to be pragmatic."

Flanked by a grim-faced lineup of top Hong Kong officials, Mr. Tung announced a series of measures to restore consumer confidence and ease the deepening credit crunch in the territory. These include the lowering of import and export duties, a tax rebate, and a freeze in government salaries.

Still, Mr. Tung acknowledged that no amount of stimulus would pull Hong Kong out of what is fast becoming its worst downturn since World War II. Property prices have plunged 40 percent in the last six months, unemployment is at a 15-year high, and output declined by 2 percent in the first quarter.

Mr. Tung said Monday the economy would shrink again in the second quarter — the first official confirmation of a recession. Unless the government acted to stabilize property prices, he said, Hong Kong's banks would deteriorate and a crisis of confidence would overwhelm local financial markets.

But the government's aggressive intervention may stoke the fears of overseas investors, who value Hong Kong for its untrammelled markets.

Late Monday, some analysts were already questioning whether Hong Kong would continue linking its currency to the U.S. dollar at a fixed exchange rate.

Indeed, Hong Kong's stock market is already battling a crisis of confidence. The benchmark Hang Seng index fell

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## AGENDA

### Havel Asks Center-Left to Form Cabinet

PRAGUE (Reuters) — The Czech president, Vaclav Havel, on Monday asked Milos Zeman, whose center-left Social Democrats won the weekend elections for a new Parliament, to try to form a government.

The opposition Czech Social Democratic Party won 32.3 percent of the popular vote.

Mr. Havel said that Mr. Zeman, who is expected to have difficulty forming a coalition after a surpris-

ingly strong showing by the right, had accepted his invitation to form a government.

The president met with leaders of four of the five parties that gained representation in the lower house — the Social Democrats, the Civic Democratic Party, the Christian Democrats and the Freedom Union.

Mr. Havel declined, however, to meet with officials from the fifth party, the Communist Party.



COLOMBIA POLL — Andres Pastrana, a former Bogota mayor, was elected president. Page 8.

### Defiance in Kosovo

As Serbian forces move up their heavy armor against them, rebels in the southern province of Kosovo, fighting to carve an independent state from one of the two republics that remain in Yugoslavia, have dug trenches around the villages they control and set up sandbagged roadblocks. They are talking heroically of fighting to the death. Page 14.

The Dollar			
	Monday @ 4 P.M.	previous close	
New York	1.794	1.7886	
DM	138.06	136.085	
Yen	6.015	5.995	
FF	1.6735	1.6748	
Pound			
Dollars per pound			
The Dow			
	Monday close	percent change	
-1.74	8,711.13	-0.02%	
S&P 500			
+2.59	1,103.18	+0.24%	
Nasdaq			
+25.13	1,805.85	+1.41%	

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## Salving 4 Major Irritants/ Cooperation Now Emphasized Over Conflicts

## New U.S.-China Ties Are the Fruit of '96 Shift in Policy

By Barton Gellman  
Washington Post Service

WASHINGTON — When President Bill Clinton touched down in April 1996 on the flight deck of the aircraft carrier Independence, he indulged in a small display of national pride. Just a few weeks before, the ship had led most of the U.S. Navy's Seventh Fleet through a tense standoff with China as it rehearsed a missile attack and invasion of Taiwan.

"We showed our power to the world without firing a bullet," Mr. Clinton told the assembled officers and crew.

In truth, the president and his advisers felt sobered as much as satisfied by the episode. They had come much closer to combat with China than either government wished, and they were trapped in a pattern of mutual, ritualized complaints.

"Our meetings had been overwhelmingly, 'We want you to release more dissidents.' 'We want you to stop selling arms to Taiwan,' you know, tit for tat," said a senior policymaker on China. "Repetition, usually verbatim, of things that had been said a dozen times before — as if the world didn't exist."

By the spring of 1996, the national security adviser, Anthony Lake, and his deputy, Samuel Berger, were finishing a policy review that decided, in essence, to concentrate on the big picture again. Since then, the U.S. government has moved with purpose to repair ties to Beijing. The decision, which sent Mr. Clinton on his road to a China summit meeting this week, included a willingness for the first time to pay the domestic political costs that have often accompanied China policy since the 1950s.

"That was the key moment at which the administration accepted that it was going to have to deal seriously with China, that China was more than a theme park for the human rights advocates and the Dalai Lama's followers," said Chas. Freeman Jr., Mr. Clinton's first assistant secretary of defense for international security affairs.

The tumultuous year of 1989, when China crushed its democracy movement at Tiananmen Square and the Soviet empire collapsed with the Berlin Wall, brought two results for Chinese-American relations: Public warmth drained entirely and the old strategic common cause — containment of Moscow — disappeared. But a new rationale was growing in the minds of the Clinton foreign policy team. The world's most populous nation, a rising economic and military power, was simply too big to ignore on nearly every foreign policy concern.

Consider, said Stanley Roth, an assistant secretary of state, what the world might look like if Beijing chose hostility at every turn.

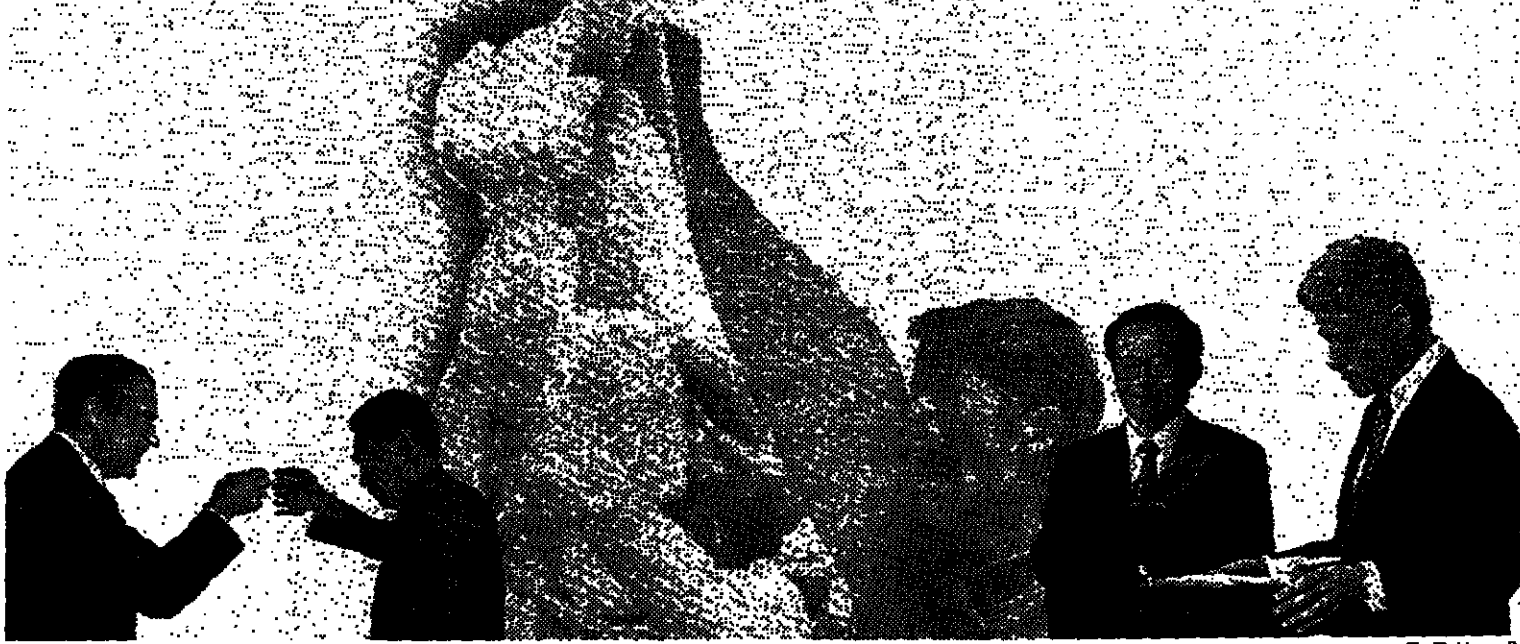
"On the Korean Peninsula, China could be supplying weapons and encouraging the North Koreans not to participate in negotiations," said Mr. Roth. "China could be in Cambodia doing what it did 15 years ago, arming the Khmer Rouge and trying to give them support. China could be continuing to sell weapons systems to Iran that threaten U.S. naval forces. If you want to solve global warming, you're not going to do it if China's not playing. There are just so many of these issues."

AMONG THE first things to come from the interagency review was a firm order anchoring China policy in the White House.

By July 1996, Mr. Lake was heading for Beijing. He had opened a new diplomatic channel to Liu Huaqing, his approximate counterpart, at the height of the Taiwan Strait crisis four months before. Now that channel became the primary vehicle for reshaping the relationship.

"The role China plays in the very different world of the next century was going to be very important, and it was in China's interest as well as the world's that China not only play by the rules but also help devise those rules," Mr. Lake said in an interview, summarizing his pitch to Mr. Liu and other leaders.

"Another part was that the American military



The administration accepted that it was going to have to deal seriously with China, that China was more than a theme park for the human rights advocates and the Dalai Lama's followers.

presence in Asia had not been drawn down and, I believed, neither should nor would be, and this was not a part of containing China but was there for the sake of stability. I asked him to consider what would happen if we withdrew our presence from northeast Asia. There would be almost certainly an arms race, probably a nuclear arms race, among Japan, China and Korea, and this was in nobody's interest."

Region by region, issue by issue, the two governments began to talk about the world. But there were four major irritants that could set relations tumbling again: human rights, nuclear proliferation, trade and Taiwan. The two years since have been marked by concerted efforts to salve, if not settle, those disputes.

Mr. Lake, echoed by Mr. Clinton, during the October 1997 summit meeting with President Jiang Zemin of China — began telling the Chinese that they were on "the wrong side of history" over political and religious freedom. That formula was more of an overture than a slap. By design, it took some of the pressure off the argument, consigning its outcome to posterity.

But it was not quite good enough, the president's advisers concluded. They wanted to press for near-term improvements, even if they were unwilling to hold the whole relationship hostage on that account. They believed they had to have progress on human rights to make warmer ties palatable to Congress.

And they needed a way out of what they saw as an increasingly pointless annual battle with China at the UN Human Rights Conference in Geneva. In 1995, an American-sponsored motion of censure for Chinese repression had scored no better than a tie in Geneva. In 1996 and 1997, the motion lost by increasing margins as European allies lost interest in annoying Beijing.

By the spring of 1998, after a series of private China-U.S. communications, Mr. Berger, who had succeeded Mr. Lake as national security adviser, sent a decision memorandum to Mr. Clinton reflecting unanimous advice from him. Secretary of State Madeleine Albright and Bill Richardson, the chief delegate to the United Nations: The United States should once again sponsor the censure motion.

Mr. Clinton rejected the memo and directed Mr. Berger to work out a deal with China. Sandra Kristoff, the National Security Council's senior director for Asia, traveled hastily to Beijing. Her delegation pressed the deputy foreign minister, Yang Jiechi, to show enough progress to justify an end to the Geneva fight.

Mr. Yang suggested that China could release Wang Dan, a prominent dissident, from jail and announce its intention to sign the UN Covenant on Civil and Political Rights soon. Of four U.S. human rights demands laid out in 1996, that made for partial fulfillment of two.

On March 16, with Mr. Clinton's mind made up, it fell to Mrs. Albright to phone Foreign Minister Qian Qichen and cement the deal. The Chinese minister, now deputy prime minister, said Beijing would sign the UN covenant "in the near future." Mrs. Albright said that Washington would drop the Geneva motion of censure.

China's first movement toward nuclear arms control came in 1984, when it joined the International Atomic Energy Agency. Eight years later it signed the Nuclear Nonproliferation Treaty and in 1995 it supported the treaty's indefinite extension.

But January 1996 brought U.S. intelligence that China's National Nuclear Corp. had sold Pakistan a consignment of ring magnets, essential components in the enrichment of uranium to weapons grade.

The discovery triggered a U.S. law banning Export-Import Bank financing of any business deal with China, a sanction that would shut down billions of dollars in trade.

With the trade sanctions looming, China announced abruptly that it would provide no further assistance to unsafeguarded nuclear facilities in Pakistan.

The administration set four initial goals on arms control with China, and obtained them all over the next two years. It wanted China to give up all nuclear assistance to Iran, even that permitted under international law; to break contracts to sell nonnuclear C-801 and C-802 cruise missiles to Iran that posed an "over the horizon" threat to U.S. shipping; to write and enforce formal export controls on nuclear and dual-use technology; and to join the Zangger Committee, an international panel to monitor restrictions on nuclear technology.

As bait, the administration offered to revive a moribund agreement reached by President Ronald Reagan in 1985 to allow China to buy U.S. nuclear power plants — but only if Mr. Clinton certified that China was exporting no help on nuclear weapons, direct or indirect.

The first deal came on the C-801 and C-802 cruise missiles. Mrs. Albright met with Mr. Qian on Sept. 23 in New York and he told her there were "no plans" for further cruise missile sales. Mrs. Albright, according to an American ac-

count, pressed Mr. Qian on whether the assurance applied to production technology, and he said it did.

Mr. Qian signed a letter Oct. 28, "China," he wrote to Mrs. Albright in a document still classified "secret," "is not going to engage in new nuclear cooperation with Iran."

With those assurances, Mrs. Albright wrote back, Mr. Clinton would submit "the necessary certifications" to allow China to buy American nuclear power plants.

TAIWAN REMAINED a potential flash point and Washington moved on two fronts to defuse the issue. On March 11, 1996, Mr. Berger and an under secretary of state, Peter Tarnoff, summoned Taiwan's national security adviser, Ting Mou-shih, to a New York hotel. They told him to cool Taiwan's independence drive because U.S. military support was not going to be a blank check.

To Beijing, the Clinton administration gave repeated assurances that it was sticking to its "one China" policy of 1972.

For the presidential summit meeting last year, the two sides negotiated a statement by the State Department spokesman, James Rubin. Reading from notes, he said the United States did not support Taiwanese independence, did not support a "two Chinas" or "one China, one Taiwan" policy, and would not back Taiwan's admission to any international body based on statehood.

China and the United States now cooperate on major regional problems as they seldom have before. They see broadly eye to eye, so far, on the four-party talks they jointly sponsor to bring rapprochement to North and South Korea; they have worked in concert to contain the Asian financial crisis, with China resisting internal pressure to devalue its currency, the yuan; and China has been remarkably restrained in response to nuclear testing by its old rival, India.

If there is any one moment that shows how far the two governments have come it arrived in the second week of February.

Mr. Richardson, the UN delegate, had the sensitive assignment of enlisting China in the American-led showdown with Iraq. He sought, and obtained, China's abstention — instead of its veto — on a vote to threaten "severe consequences" for Baghdad if it failed to cooperate with special UN weapons inspectors.

Just before he traveled to Beijing on Feb. 14, Mr. Richardson paid a call on his UN counterpart, Qin Huasun. A politician with a mischievous streak, Mr. Richardson put on a serious face and, according to one witness, told Mr. Qin: "I want to come to China to focus on one subject." He paused. "Human rights."

As Mr. Qin stared back in disbelief, Mr. Richardson burst into a grin. The Chinese delegate threw his head back and laughed.

## Iran Leader Ignores Critics To Continue Reform Drive

Reuters

TEHRAN — President Mohammad Khatami shows no sign of slowing his drive for greater political and social openness despite conservatives' success in forcing the resignation of his reformist interior minister.

Iranian analysts said Monday that Mr. Khatami's swift move to restore the minister, Abdollah Nouri, to his cabinet in another post showed his determination to carry on with the reforms he promised ahead of his surprise landslide election victory 13 months ago.

The daily Jomhuri Eslami, the voice of Mr. Khatami's traditionalist critics, acknowledged that the president's overwhelming mandate — 75 percent of voters backed him in May 1997 — could not be ignored, even after the no-confidence vote Sunday against Mr. Nouri.

The newspaper said in a commentary, "The group that won the impeachment should not get proud of itself and must pay attention that the interests of the nation and the revolution take precedence over those of a faction."

Deputies in the Parliament, or Majlis, voted to force the resignation of the interior minister on charges of undermining social and political stability in the Islamic republic.

Mr. Khatami struck back almost at once, naming the man he last week called a "blessing" to the new post of vice president for development and social affairs.

Mr. Nouri's job carries a guaranteed seat in the cabinet and ensures that the former minister's influence will remain largely undiminished.

## Vote Setback for Khatami

Elaine Sciolino of The New York Times earlier reported from Tehran.

Parliament is controlled by Mr. Khatami's enemies. Its action Sunday was the most serious political setback to his presidency since his election victory as well as graphic proof of Mr. Khatami's limited room for maneuver in Iran's Islamic Republic.

The vote was as much an attack against Mr. Khatami as it was against Mr. Nouri, and it is part of a wider campaign led by conservative members of the clergy to discredit officials loyal to the president.

Mr. Nouri, 49, a mid-ranking cleric from Isfahan, has been an outspoken proponent of Mr. Khatami's commitment to impose a rule of law and has come under fire for issuing permits to allow groups to conduct peaceful demonstrations.

Under the constitution, the country's spiritual leader, Ayatollah Sayed Ali Khamenei, and not the president, controls the judiciary, as well as the military, radio and television and the intelligence and security services.

But Mr. Khatami has encouraged Mr. Nouri to challenge decisions by the judiciary — particularly the arrest of the Tehran mayor, Gholamhossein Karbeschi, who is on trial on corruption and embezzlement charges. The trial is broadcast on television in the evenings.

Mr. Nouri has also strongly supported Mr. Karbeschi and has openly criticized the chief of the judiciary, Ayatollah Mohammad Yazdi, for arresting the mayor in April without telling Mr. Nouri. After several thousand people demonstrated in favor of the mayor, he was released on bail.

## TRAVEL UPDATE

## All Nippon Airways Strike Is Off

TOKYO (Bloomberg) — Pilots of All Nippon Airways have called off a strike that had been scheduled to resume Tuesday over a 15 percent pay cut, the airline and the union said Monday.

A spokesman for All Nippon Airways Co. said no concessions had been offered by the airline in recent days. A spokesman for the Japan Federation of Flight Crew Unions, said pilots would hold a press conference at 10 A.M. on Tuesday.

The pilots said last week that they would stop flying Boeing 747-400 aircraft beginning Tuesday if the dispute was not settled. They refused to operate those planes for two weeks in April, forcing the cancellation of 94 international flights, or 12 percent of the airline's overseas schedule.

**Water Leak Shuts Warsaw Station**  
WARSAW (AP) — Warsaw's Central Station was closed Monday and all trains were rerouted after a leak in the city water system flooded tracks. Railroad officials said full traffic at the station should be restored by Sunday.

A 90-centimeter water pipe broke Sunday night, flooding and damaging tracks about a kilometer southwest of the station. All inter-city and local trains were rerouted to other Warsaw stations and the railroad provided buses to transport passengers there. The damage delayed trains for up to 30 minutes.

Italian phone numbers are now a little longer. Italy's phone company, Telecom Italia, is requiring area codes even for local calls. To make a call within Rome, for example, you now need to dial 06, the city's area code, before the number. To call the Italian capital from abroad you need to dial the country code, 39, as before, then 06. If you forget the new codes, you'll still get through, but only until Dec. 31, 1998. (AP)

## WEATHER

Forecast for Wednesday through Friday, as provided by AccuWeather.



City	High	Low	High	Low	High	Low
Albuquerque	72	52	70	50	68	48
Anchorage	58	48	56	46	54	44
Atlanta	78	68	76	66	74	64
Boston	62	52	60	50	58	48
Chicago	68	58	66	56	64	54
Denver	62	52	60	50	58	48
Detroit	60	50	58	48	56	46
Houston	74	64	72	62	70	60
Los Angeles	72	62	70	60	68	58
London	58	48	56	46	54	44
Madrid	62	52	60	50	58	48
Manila	82	72	80	70	78	68
Moscow	52	42	50	40	48	38
New York	68	58	66	56	64	54
Paris	60	50	58	48	56	46
San Francisco	62	52	60	50	58	48
Seoul	72	62	70	60	68	58
Singapore	82	72	80	70	78	68
Tokyo	72	62	70	60	68	58
Washington	68	58	66	56	64	54

City	High	Low	High	Low	High	Low
Algeria	72	62	70	60	68	58
Amman	72	62	70	60	68	58
Baghdad	72	62	70	60	68	58
Bangkok	82	72	80	70	78	68
Beijing	72	62	70	60	68	58
Bombay	82	72	80	70	78	68
Buenos Aires	72	62	70	60	68	58
Calcutta	82	72	80	70	78	68
Chengdu	72	62	70	60	68	58
Chongqing	72	62	70	60	68	58
Cebu	82	72	80	70	78	68
Dhaka	82	72	80	70	78	68
Hong Kong	82	72	80	70	78	68
Kobe	72	62	70	60	68	58
Kuala Lumpur	82	72	80	70	78	68
London	58	48	56	46	54	44
Los Angeles	72	62	70	60	68	58
Manila	82	72	80	70	78	68
Moscow	52	42	50	40	48	38
New York	68	58	66	56	64	54
Paris	60	50	58	48	56	46
San Francisco	62	52	60	50	58	48
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Beijing	72	62	70	60	68	58
Bombay	82	72	80	70	78	68
Buenos Aires	72	62	70	60	68	58
Calcutta	82	72	80	70	78	68
Chengdu	72	62	70	60	68	58
Chongqing	72	62	70	60	68	58
Cebu	82	72	80	70	78	68
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Washington	68	58	66	56	64	54

## Clinton Square

## After Defeat in Congress

By John F. Harris

WASHINGTON

Clinton announced Monday that he would not seek re-election in 2000, a move that would end his presidency after only one term.

The move came after a series of setbacks for Clinton, including a loss in the Supreme Court and a defeat in Congress.

Clinton's decision was seen as a surprise, given his strong support in the polls and his record in office.

The move would allow Clinton to focus on his legacy and his family, rather than the pressures of a second term.

Clinton's decision was also seen as a way to avoid a difficult re-election campaign in 2000.

The move would also allow Clinton to focus on his legacy and his family, rather than the pressures of a second term.



THE AMERICAS

# Clinton Squeezes Cigarette Makers

## After Defeat in Congress, He Orders Annual Check on Underage Use

By John F. Harris  
Washington Post Service

WASHINGTON — President Bill Clinton announced Monday that the federal government would begin conducting annual surveys to determine cigarette-brand share in the market for underage smokers — a defiant gesture aimed at tobacco companies and their supporters in Congress.

Recoiling from the collapse of comprehensive anti-smoking legislation in the Senate, Mr. Clinton issued an executive order directing the Department of Health and Human Services to begin documenting which brands enjoy favor among smokers between the ages of 12 through 17, as part of the yearly National Household Survey on Drug Abuse.

The tobacco bill, which stalled after failing to win the necessary 60 votes to end debate, would have called for such research into the youth smoking market. In one of its more controversial provisions, the bill also would have imposed large financial penalties on cigarette companies that did not reduce their sales to youngsters by 30 percent over five years, and 60 percent over a decade.

Those penalties, which provoked vociferous objections from the tobacco

companies, cannot be imposed now that the legislation is dead. Moreover, they were likely targets for a challenge on constitutional grounds if the bill had passed.

But Mr. Clinton's aides said there was logic behind performing the market research anyway.

President Clinton, they said, has two objectives. The first is to project a public message of optimism. Mr. Clinton insists there is a chance that comprehensive tobacco legislation will pass later this year, and that it makes sense to get a head start on brand surveys that will be needed to monitor the cigarette companies' performance in reducing sales to minors.

But even if the legislation never becomes law, administration officials said, the surveys will be a useful way to put public opinion pressure on the companies.

"For the first time, we'll have clear evidence of which companies are responsible for this problem," said an administration official who works on the tobacco issue. "We'll be able to see which companies are targeting youth."

A tobacco industry spokesman, Scott Williams, said cigarette companies had agreed to support general research into the reasons for youth smoking. But he added that the industry objected to per-

forming brand surveys or imposing fees on individual companies.

He dismissed President Clinton's plan as a "political gesture" aimed at stigmatizing tobacco and diverting attention from his inability to win passage of the tobacco legislation — his top domestic policy priority.

Mr. Williams said President Clinton was at fault for not exerting greater leadership to implement a settlement agreed to last June by state attorneys general and the major cigarette makers, after consultations with the White House.

Among several provisions of that agreement, cigarette companies reluctantly agreed to pay the government up to \$2 billion in annual "look-back" penalties if youth smoking did not decline enough. The fees would have been paid by the industry as a whole, without reference to which brands were popular among young people.

The failed bill, sponsored by Senator John McCain, Republican of Arizona, and amended at White House insistence, would have increased the maximum annual penalty to \$3.5 billion, and would have imposed additional penalties on companies that fell short.

These company-specific fees would have been \$1,000 per smoker for every smoker beyond the target.



Julie Thomas of St. Petersburg, Florida, placing flowers in Washington at the Vietnam Veterans Memorial near the name of her husband, James R. Thomas, listed as missing in action in Vietnam in 1971. She said it was "my first picnic with my husband in 27 years."

### Away From Politics

• Presale checks under the federal Brady law blocked the U.S. sale of some 69,000 handguns in 1997, more than half because the prospective buyer was a convicted felon or was under a felony indictment, the Justice Department said. This was 2.7 percent of the 2,574,000 U.S. applications. (AP)

• A National Park Service ranger was shot and killed as he checked out complaints that a man with a rifle was threatening visitors at a scenic overlook near Cherokee, North Carolina, about 60 miles southeast of Knoxville, Tennessee. The ranger was killed by a shot to the chest that pierced his protective vest. (AP)

• A rescue helicopter picked up two British climbers from Mount McKinley in Alaska, where they had been stranded without food in bitter cold for more than three days. They were hospitalized in good condition. (AP)

• Hundreds of firefighters battled wildfires in north Florida as scattered thunderstorms brought not only welcome rain but also lightning that triggered more than 80 new fires. (AP)

• Striking telephone workers clashed with riot policemen in a suburb of San Juan, Puerto Rico, injuring at least six people, three seriously. (AP)

# Supreme Court Strikes Down Fine

The Associated Press

WASHINGTON — For the first time in its history, the Supreme Court on Monday struck down a fine as unconstitutional.

The court ruled, 5 to 4, that the federal government cannot always seize and keep all the money people try to take outside the United States without filing the proper reports.

Rebuffing Clinton administration arguments, the court said a federal law that always subjects such money to forfeiture violates the constitution's ban on excessive fines.

A federal law requires that anyone who moves more than \$10,000 in cash or other "monetary instruments" out of the United States must report it to the Treasury Department. People who fail to do so can be sentenced to up to five years in prison and be fined a maximum of \$250,000.

The law also requires sentencing courts to order the unreported money forfeited.

Writing for the court, Justice Clarence Thomas said such a forfeiture amounts to a fine, and some forfeitures are so disproportionate to the offense that they violate the Eighth Amendment's ban on excessive fines.

The decision was a victory for a California gas station owner, who in 1994 tried to leave the country with \$357,000 in his and his wife's possession.

Hosep Krikor Bajakajian, who owns two service stations in Hollywood, was detained by U.S. Customs agents in Los Angeles on June 9, 1994, as he and his wife waited to board an airplane to Syria.

The agents, alerted by a currency-detecting dog, found \$357,000 in cash that Mr. Bajakajian had not reported. His lawyers said Mr. Bajakajian did not trust government authorities. He pleaded guilty to violating the reporting law and was sentenced to three years probation and fined \$5,000.

The federal judge who presided over Mr. Bajakajian's trial found that the money was not linked to illegal drugs or gambling, was not stolen and was not being laundered for tax evasion or any other reason.

The judge ordered that only \$15,000 of the unreported cash be forfeited, ruling that forcing Mr. Bajakajian to lose any more would be "grossly disproportionate" to his crime.

### POLITICAL NOTES

#### Big Battle in New Mexico

ALBUQUERQUE, New Mexico — The battle for control of Congress has started early here with a special election for an open seat in the House of Representatives, drawing Hillary Rodham Clinton and other top Democrats to energize voters.

Mrs. Clinton joined the House minority leader, Dick Gephardt of Missouri, and Representatives Patrick Kennedy of Rhode Island and Loretta Sanchez of California at a campaign rally on Sunday for the millionaire Democratic nominee, Phil Maloof of Albuquerque.

He is in a tight race with the Republican candidate, Heather Wilson, a former air force officer and state agency administrator.

The two are vying in a special election Tuesday to replace Steve Schiff, a Republican who died in March. At stake is momentum for the November elections, with Democrats hoping to win back control of the House. If Mr. Maloof wins, the Republican margin in the House shrinks to 10. (AP)

#### Consultants Blame the Media

NEW YORK — As politicians moan about interminable fund-raising demands to pay for brutal attack commercials, consultants who run many of their campaigns and make many of the advertisements say that it is not their fault and suggest that if anyone is to blame for public despair about the system, it is the news media.

A survey of more than 200 political consultants made public by the Pew Research Center for the People and the Press and the Center for Congressional and Presidential Studies at American University found that the consultants were driven more by the thrill of the competition than by ideology. And, by an overwhelming proportion, they believed that focusing on an opponent's weaknesses is perfectly acceptable.

This is the first time that so many leading consultants — most have been involved in major races over the last three election seasons — have been interviewed for one survey. While more than half of those surveyed blamed the media for discouraging people from running for office because news organizations dwell too much on the personal lives of candidates, many consultants made it clear that they were not impressed by their own candidates.

Most consultants emphasized the importance of their own roles and also criticized the public as poorly informed and lacking sound judgment about issues. (NYT)

#### Quote/Unquote

President Bill Clinton, ordering the government to survey teenagers on which brands of cigarettes they smoke, as a way to hold tobacco companies accountable for "targeting children" with advertising: "Once this information becomes public, companies will then no longer be able to evade accountability, and neither will Congress." (AP)



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ZURICH  
AMERICAS  
BOGOTA  
BUENOS AIRES  
CALI  
CANCUN  
CARACAS  
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## EUROPE

# Steps to Halt Ozone Loss Are Working, Report Says

By Tom Bueckle  
International Herald Tribune

LONDON — Global measures to reduce the production of ozone-depleting chemicals are proving effective, with concentrations of the chemicals expected to decline in the upper atmosphere after the year 2000, leading to a slow recovery of the ozone layer, international organizations announced Monday.

The report, released in Geneva by the World Meteorological Organization and the United Nations Environment Program, was the first assessment of ozone-protection measures in four years. It provided the best evidence to date that an agreement by developed countries to stop production of chlorofluorocarbons, the most-damaging group of chemicals, in 1995 was having an impact.

The rate of ozone loss in the stratosphere at the Earth's midlatitudes, where the world's populations are concentrated, has slowed in recent years, the report found.

The ozone depletion at midlatitudes in the Northern Hemisphere in winter and spring, for example, averaged 5.4 percent from 1994 to 1997, almost a third less than the depletion that meteorologists had projected four years ago.

The ozone layer is a protective shield of gas that absorbs harmful ultraviolet rays of the sun. The holes are blamed for causing skin cancer and cataracts.

"The Montreal Protocol is working," the report stated, referring to the 1987 global agreement to limit production of ozone-depleting substances. "A full recovery of the Earth's protective ozone shield could occur by the middle of the next century, but it would require that the protocol is fully implemented," it said.

Klaus Toepfer, the executive director of the UN Environment Program, welcomed the findings but urged countries not to relax their efforts.

While most industrial countries are complying with the protocol, officials noted that developing countries have until 2005 to end chlorofluorocarbon production and the booming economies of China and India have lifted their emissions above earlier projections.

As a result, stratospheric concentrations of ozone-depleting chemicals are expected to peak around the year 2000 and then decline only at a slow rate, said Rumen Bjorkov, special adviser to the World Meteorological Organization on ozone depletion.

Mr. Bjorkov and the report also stressed that ozone recovery will be affected by general climate conditions and by compounds linked to global warming, such as nitrous oxide and methane.

As a result, the health of the ozone layer will depend on the willingness of countries to meet their targets for reducing global warming chemicals, agreed at a UN conference in Kyoto, Japan, last year.

Mr. Bjorkov said it could take another 20 years before scientists have unambiguous evidence that the ozone layer is recovering.



Louise Woodward telling the BBC that she is innocent in the death.

## Au Pair in Baby's Death Says She's a Scapegoat

The Associated Press

LONDON — In her first in-depth interview since she returned home from the United States last week, Louise Woodward said that she was made a scapegoat for the death of a baby in her care because the authorities had to find someone to blame.

"The mentality is that somebody has to pay," she told the British Broadcasting Corp. "You know, and that seemed to be the problem, that, well, if the parents didn't do it, who did? There's only you left."

Prosecutors in Massachusetts said that Miss Woodward, the au pair who was convicted of manslaughter, shook 8-month-old Matthew Eappen to death in February 1997. She has maintained her innocence.

The baby's family was not immediately available for comment.

But the attorney representing the Eappens in a civil suit against Miss Woodward said the young woman "already told her story and was found guilty beyond a reasonable doubt by a jury, a judge and seven justices of the Massachusetts Supreme Court."

"It is obvious she is now more interested in her celebrity status than

the truth," said the attorney, Fredric Ellis.

According to excerpts of the interview that were broadcast by the BBC, Miss Woodward said: "There was the whole feeling that somebody had to pay and that somebody had to be me. But like I say, you know, I didn't do anything wrong."

She was allowed to leave the United States after the Massachusetts high court upheld a lower court judge's decision in November to reduce her second-degree murder conviction to manslaughter and sentence her to the 279 days she had already spent in prison.

Miss Woodward, 20, said she was fortunate that her sentence was not longer.

But she added: "I think 279 days is a long time for an innocent person to serve."

"For when it's 279 days of agonizing, worry and pain, being torn away from your family, being locked up in a prison in a strange country — and please remember that I was 18 when I went into prison — and being scared, for something that you didn't even do."

# A NATO No Longer Just for Defense

Secretary-General Foresees a Growing Activist Role in Crises

By Joseph Fitchett  
International Herald Tribune

BRUSSELS — "What kind of world are we living in when people are demonstrating outside my windows at headquarters with placards saying 'NATO, save us'?" Secretary-General Javier Solana asked a visitor.

The people who were calling on NATO to help them were ethnic Albanians from Kosovo — the latest group to turn to NATO for membership or intervention.

Mr. Solana's question highlighted the dramatic change in the alliance's role from being a defense bulwark.

Nowadays, NATO is increasingly an alliance projecting stability beyond its own territory and a force reaching out to manage crises further and further afield.

"NATO is becoming not just a military alliance but a political organization," Mr. Solana said in an interview.

That new role's complexity has often obscured the alliance's identity as the alliance gropes its way forward, and no one seems more sensitive to these tensions — or more comfortable offering a pragmatic approach to overcoming them — than Mr. Solana.

Certainly no one is better placed to feel the irony of people calling out for NATO than Mr. Solana, 56. More than a decade ago as a Socialist foreign minister of Spain, he opposed his country's membership in the alliance, only to change his mind ("Only idiots never change their opinion," he said at the time).

Three years ago he became the top civilian leader of the North Atlantic Treaty Organization — just as it hit its new stride in Bosnia-Herzegovina, enlargement and a new dialogue with Moscow.

"This place has become the magnetic pole on security issues," Mr. Solana said, meaning that NATO seems to be steadily securing a more dominant stature in people's thinking with every crisis in European security.

A NATO ambassador explained: "We've become a very self-confident organization with our recent successes, and I suppose that we're going to have to go on putting ourselves in places where angels used to fear to tread."

The Kosovo crisis last week again spotlighted NATO and Mr. Solana as he tried to mesh member states' political stances and NATO's military planning.

Simultaneously, he was the point man in the alliance's stumbling dialogue with Moscow, trying to persuade Russian leaders to support Western pressure on the Yugoslav leader, Slobodan Milosevic, and perhaps make the Kosovo crisis a confidence builder — and not a confidence breaker — in long-term relations between Russia and the alliance.

All of these are ground-breaking steps for NATO.

In Kosovo, the alliance has for the first time sought to use its military force as a political tool to head off a civil war. This "preventive diplomacy," as it is known in the jargon of geopolitics, is something that NATO leaders had planned to discuss as a possible ambition for the alliance in the next decade.

"To some extent, we just have to go ahead where there are threats, and we'll work out the theory later," Mr. Solana said.

Preventive diplomacy is a new use for NATO, politically trickier than peacekeeping. Even in Bosnia, the alliance was invited in only after a political settlement.

True, the Serbs had been brought to the bargaining table in large part by allied air raids, but alliance leaders had waited until prolonged bloodshed had convinced international opinion of the need to act.

In contrast, NATO governments seem close to political consensus favoring military action in Kosovo even though the toll of ethnic Albanians so far is "only" 300 dead. The military risks are greater.

If NATO intervened to force an end to the fighting, it would probably have to knock out part of Serbia's air defenses — a robust Soviet-built system that had no equivalent in Bosnia.

The main planning is done under NATO's supreme commander, always a U.S. officer — currently General Wesley Clark. But the secretary-general — always a European — has an international staff of about 200 uniformed officers from allied countries to help ensure that military tactics match member states' political strategies.

NATO's ties with Moscow are a top priority — "more important in the long run even than Bosnia or Kosovo," an alliance ambassador said, explaining that the bloc has emerged as a key intermediary in Western efforts to reach a new relationship with Russia.

Mr. Solana won his spurs with his

success as the prime negotiator with Russia about NATO expansion.

His diplomacy also took him to Poland, which is in the process of becoming a big new ally; to the Baltic states, and to Italy, where he met with Kofi Annan, the United Nations secretary-general, and the head of the Organization on Security and Cooperation in Europe, an umbrella body that could be useful in developing a mandate for NATO intervention in Kosovo.

None of his roles — running the alliance, building allied consensus and doing NATO's diplomacy — gives Mr. Solana the power of final decision. That belongs to the 16 member states.

Instead, Mr. Solana's job is to ensure that the 16 capitals (soon to be 19) stay roughly in step — as far as possible.

That may explain why Mr. Solana, a physicist-turned-politician, said his most satisfying moments on the job were the times "when I can be the catalyst of consensus."

"He's a politician, a consummate one, and just what we needed since the alliance had already developed a vague strategic blueprint for its post-Cold War role," a NATO ambassador said.

The strategic vision came largely from Manfred Wroeter, an ex-German defense minister who was secretary-general from 1986 to 1992.

Mr. Solana's style — low-key but relentlessly energetic — is credited with helping NATO move past problems without getting hung up on theory.

## Italian Government Split As NATO Debate Begins

Compiled by Our Staff From Dispatches

ROME — Italy's governing parties were badly divided on Monday as the Chamber of Deputies began debating NATO expansion.

The government's main ally, the far-left Refounded Communist Party, opposes the expansion and has said it will vote against the treaty in the lower house. The vote was expected Tuesday.

But the center-right opposition, as well as a small group of centrists, suggested they could come to the aid of the government of Prime Minister Romano Prodi.

The government would need at least some of their votes to ratify the treaty because it cannot muster a majority on its own in the lower house.

The treaty must be ratified by all 16 North Atlantic Treaty Organization members, plus the three eastern European candidates: Poland, the Czech Republic and Hungary.

The vote has become the subject of internal politics among Italy's parties as the center-right opposition led by Silvio Berlusconi is hoping to use it to bring down the government.

Mr. Berlusconi and his allies have called for Mr. Prodi's center-left government to resign if it fails to secure the votes of Fausto Bertinotti's communists.

"No one would understand, and it would be a true insult to our national interests, if Parliament voted against NATO's expansion purely for motives of internal politics," said an editorial in

La Repubblica newspaper Monday.

The Senate, where Mr. Prodi has a clear majority, has ratified the treaty. If the division in the governing bloc does prompt a vote of confidence, Mr. Bertinotti has said he will close ranks and keep Mr. Prodi in office.

Refounded Communist Party deputies are opposed to NATO, let alone its enlargement. Although the party has said that it will vote against the motion, other supporters of the coalition have appealed for it to abstain.

An abstention, although highly unlikely, would lower the number of votes needed to pass the measure.

The main Freedom Alliance opposition bloc, led by Mr. Berlusconi, supports NATO enlargement, as does the new UDR centrist party founded by a former president, Francesco Cossiga.

Boosted by a good showing in local elections earlier this month, the Freedom Alliance has demanded that Mr. Prodi resign after the vote in acknowledgment that he no longer has an effective majority.

"A new 'no' from the Refounded Communists 'would confirm yet again that the government is without a majority in the big issues of our foreign policy and that it is not in a position to fulfill its international commitments,'" Mr. Berlusconi said.

The UDR, a small group made up of centrists who defected from the center-right and center-left parties, favors NATO expansion but has not yet committed itself to support the Prodi government on this issue. (AP, Reuters)

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## ASIA/PACIFIC

# India Hails Russian Vow To Construct 2 Reactors

## Nuclear Deal Is Seen as Step Out of Isolation

NEW DELHI — India on Monday was savoring a deal with Russia to build the Subcontinent's first large nuclear power stations, a move that appeared to open a breach in the show of international unity against India's nuclear tests.

Indian specialists and officials said the decision by Moscow to revive a 10-year-old pact on the construction of two 1,000-megawatt nuclear reactors in southern India had broken the perceived isolation of the country after its underground nuclear tests last month.

But the sanctions took a further toll Monday as the value of Indian stocks and bonds declined and the country's currency, the rupee, fell to a record low against the U.S. dollar. Indian politicians contend that the country can withstand the U.S. sanctions that went into effect last week, but business leaders are less certain. The dollar closed Monday at 42.74 rupees, up from 42.20 Friday, as banks and importers rushed to buy dollars.

On Sunday, the Russian atomic energy minister, Yevgeni Adamov, and the chief of the Indian Atomic Energy Commission, R. Chidambaram, initiated a pact to extend the reactor deal, which had been on hold since the collapse of the Soviet Union and which is now estimated to be worth \$3 billion.

The United States condemned Russia's decision. "This is not good news," the State Department spokesman, James Rubin, said in Washington. "It's the wrong message at the wrong time, and we are going to urge the Russians to reconsider."

After worldwide condemnation of its nuclear weapons tests, India sees the deal on the reactors as a breakthrough.

"There is an important signal involved here," said K. Subrahmanyam, an Indian defense expert. Despite condemnation of the nuclear tests by the UN Security Council, "it is quite likely more and more powers will realize it is better to do business as usual with India," he said.

Russia, one of the five permanent council members, joined in the global condemnation of the Indian nuclear tests and the counterbalancing by Pakistan but opposed punitive economic sanctions, saying they would hurt the poor.

A diplomat in New Delhi said some Western countries were viewing the reactor deal with regret because it could puncture attempts by the nuclear powers to maintain a common stance on India.

"I think the timing is quite unfortunate," the diplomat said.

The diplomat said that Moscow could go ahead with the deal on the ground

that it had been in the pipeline for years, but that it did not necessarily mean the door to additional nuclear cooperation between India and Russia was open.

Moscow, the diplomat said, is bound by guidelines of the Nuclear Suppliers Group, under which reactor technology is to be sold only to countries that permit international inspections. An Indian official familiar with the reactor deal said that the power station in Kudankulam would be subject to safeguards by the International Atomic Energy Agency. But this international control will apply only to the Kudankulam facility and not the entire Indian nuclear program.

New Delhi is hoping its traditionally good relations with Moscow will help it weather the international opposition to its nuclear tests, and both countries are seeking to bolster military ties. Last week, a high-ranking Indian military delegation was in Russia looking at military equipment, including fighter planes and air defense systems.

"More than this, there is a defense agreement that will likely be signed when President Yeltsin visits later this year," Mr. Subrahmanyam said, referring to a visit by Boris Yeltsin that had been scheduled for January but was postponed.

"That should send some good signals to the rest of the world," Mr. Subrahmanyam said.

### India Renews Offer of Talks

Prime Minister Atal Behari Vajpayee of India renewed an offer on Monday for talks with Pakistan on all issues, including Kashmir, Reuters reported, quoting dispatches from Indian news agencies.

Mr. Vajpayee suggested no date or venue for a resumption of talks and described as "regrettable" calls for third-party mediation of the dispute over the Himalayan region, two-thirds of which is controlled by India.

Pakistan has said that the Kashmir dispute is a "core issue" that needs to be settled first and has urged major powers to help defuse the dispute. But United News of India quoted Mr. Vajpayee as saying, "I call upon Prime Minister Nawaz Sharif to embrace the spirit of the Shimla agreement and join me in a fruitful and sustained dialogue on a whole array of bilateral issues, including Kashmir."

Under a peace agreement signed in Shimla in 1972 it was agreed that any talks on Kashmir should be bilateral.

"Voices for third-party mediation are being heard," Mr. Vajpayee said. "With our common experience of colonialism, we should be cautious of such attempts to internationalize problems in the region."



Filipino policemen and students battling Monday during a protest at the presidential palace over the burial.

## Estrada Curbs Marcos Burial Ceremony

### Only Family Can Attend, He Says, Forbidding Political Speeches

MANILA — President-elect Joseph Estrada told the widow of Ferdinand Marcos on Monday that he would allow the former president's burial at Heroes Cemetery if only family members attended and if there were no political speeches.

Seeking to calm a political storm after he agreed that Mr. Marcos could be buried alongside former presidents and war veterans, Mr. Estrada made public a copy of his letter to Imelda Marcos.

Mr. Estrada specified that no organized groups would be allowed along the route to the cemetery, that the rites should be strictly religious and that "the funeral shall be limited to the immediate Marcos family of not more than 50 persons."

"No political statements shall be made," his letter said.

A longtime Marcos supporter, Mr. Estrada said that he might attend the funeral, planned July 11 in the capital.

Mr. Marcos died in exile in Hawaii in 1989, and his preserved body has been kept since 1993 in a glass case in the family mausoleum in his hometown in northern Ilocos Norte Province.

"My motivation is simple," Mr. Estrada said in his letter. "I hope that by finally laying to rest his mortal remains, the decade-long turmoil over the issue

will subside." Human rights groups have attacked the burial plans, saying that a dictator and a man who plundered the country has no place in the national cemetery.

Communist guerrillas, infuriated by Mr. Estrada's decision, said Sunday that they were forming special units to kidnap Mrs. Marcos and her children and put them on trial for "crimes against the people." The outgoing president, Fidel Ramos, ordered tighter security for the Marcos family.

Mr. Ramos said he had also directed the military and the police to ensure that rebels did not disrupt Mr. Estrada's inauguration as president on June 30.

Besides targeting the Marcoses, the leftist rebels said they would abduct Mr. Marcos's top associates, but did not name them.

A spokesman for the Communist New People's Army, Gregorio Rosal, said in a radio interview that the rebels planned to set up a special court to try the Marcoses.

"We all know they committed high crimes," he said. Asked if the rebels would impose the death sentence on the Marcoses, he said, "Let us leave it up to the court and to the revolutionary movement."

A dozen students staged a noisy

protest outside the presidential palace on Monday, carrying signs that read: "No to Heroes' Burial" and "Remember the Victims, the Sufferings."

Mrs. Marcos has been sentenced to 12 years in jail for graft but is free on bail while her case goes to appeal.

### Estrada Foe Defiant

The outspoken head of one of the Philippines' most successful industrial estates said Monday that he would defy a plan by Mr. Estrada to remove him from office. The Associated Press reported.

Richard Gordon, chairman of the Subic Bay Metropolitan Authority, said he would go to court to stop Mr. Estrada from removing him from the Subic Bay freeport, a former U.S. naval base north of Manila.

"This is personal," Mr. Gordon said. "I'm ready to debate with him in court about this." Mr. Estrada says he plans to fire Mr. Gordon on his first day in office.

Mr. Gordon, former mayor of Olongapo City outside the Subic base, fought fiercely against Philippine senators, including Mr. Estrada, who voted in 1991 not to extend the U.S. lease on the base. The naval facility was closed the following year.

## BRIEFLY

### 4 Officers Arrested In Korean Scandal

SEOUL — The South Korean Army's adjutant general and three other officers have been arrested in a draft scandal, the Defense Ministry said Monday.

In announcing the arrests, the ministry also issued a list of 400 people it said were under investigation on suspicion of taking or giving bribes to help the sons of the wealthy or influential avoid military service.

The list named 267 civilians and 133 army officers, including seven active-service army generals and six retired generals. (AP)

### Taiwan Pools Shut Because of Virus

TAIPEI — Health authorities in Taiwan closed school swimming pools on Monday in hopes it would help curb an intestinal virus that has already killed 50 children.

Authorities will consider whether to reopen the pools on July 1, and are debating whether to cancel summer camps and swimming programs. Operators of commercial swimming pools were being asked to bar children under 12 years old, who are particularly vulnerable to the enterovirus 71 that has swept over much of the island. (AP)

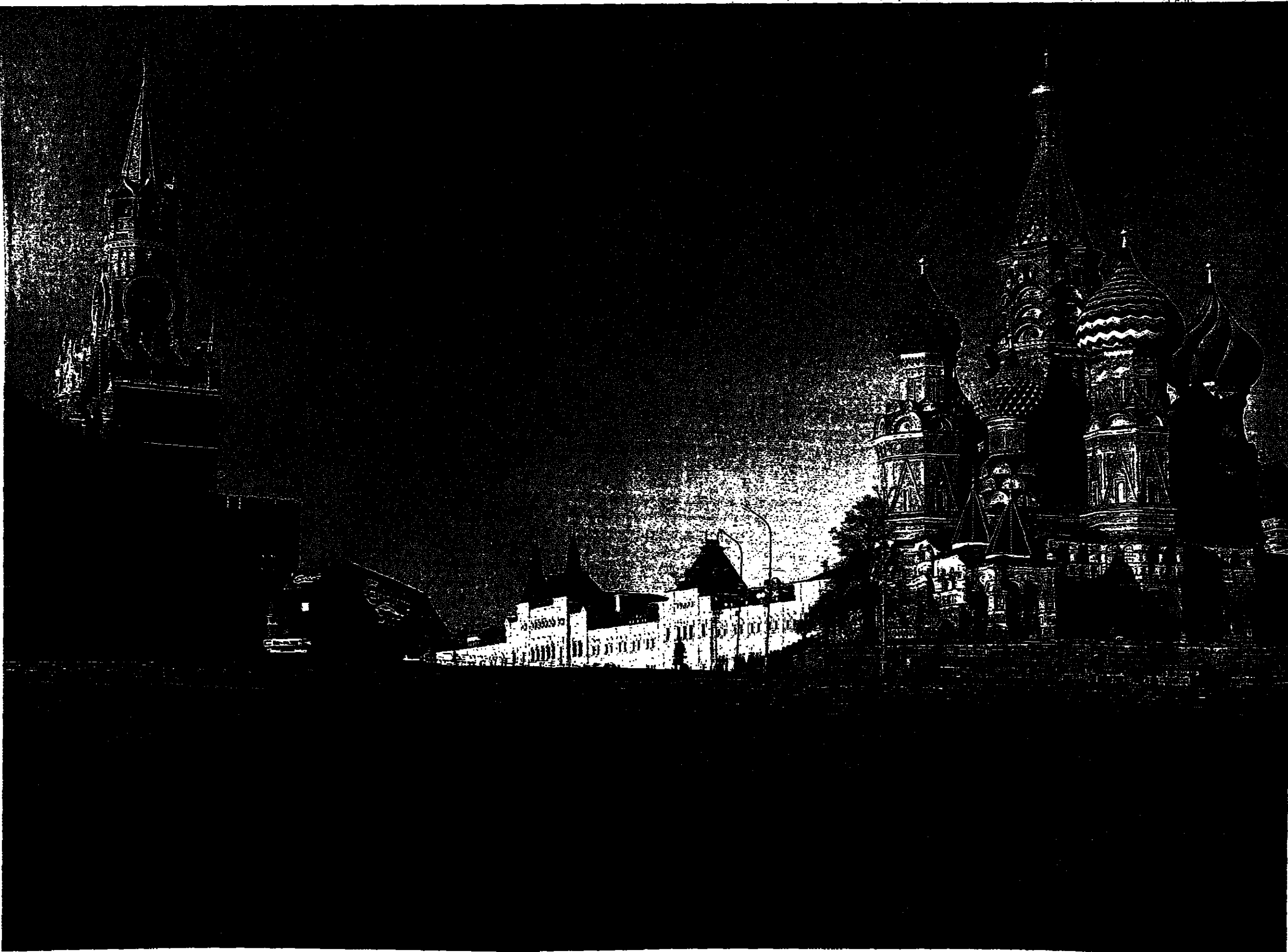
### 87 Reported Killed In Sri Lanka Battle

NEW DELHI — Heavy new fighting raged in northern and eastern Sri Lanka on Monday, and government troops and Tamil Tiger guerrillas lost at least 87 combatants, according to rival claims.

Government forces opened a new front against the rebel Liberation Tigers of Tamil Eelam in the east with an offensive against the rebel-held town of Vakkarai, the military said. (AFP)

### For the Record

The head of Indonesia's largest Muslim group and an ethnic Chinese tycoon on Monday jointly urged Chinese Indonesians who fled last month's rioting to return from abroad and help restore the economy. (AFP)



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BRIEFLY

4 Officers Arrested  
In Korean Scandal

SEOUL — The South Korean Army's adjutant general and three other officers have been arrested in a draft scandal, the Defense Ministry said Monday.

In announcing the arrests, the ministry also issued a list of people it said were under investigation on suspicion of taking bribes to help the sons of wealthy or influential avoid military service.

The list named 267 civilian and 19 army officers, including several reserve army generals, and retired generals.

Taiwan Pools Shut  
Because of Virus

TAIPEI — Health authorities closed school swimming pools Monday in hopes of stopping an intestinal virus that has killed 50 children.

The virus will be considered dangerous whether it is spread by contact with the pools or by contact with the children and swimmers. Operators of community pools were being urged to shut them down.

The virus is particularly virulent in children under 12 years old, and has been particularly virulent in children under 12 years old.

87 Reported Killed  
In Sri Lanka Bomb

COLOMBO — Heavy bombing in northern Sri Lanka Monday killed 87 people, including 50 children, and wounded 100 others, the Sri Lanka government said.

The bombing was carried out by the Liberation Tigers of Tamil Eelam, a militant group that has fought for an independent state for the island's Tamil minority.

For the Record

Indonesia's largest island, Sumatra, was hit by a massive earthquake Monday, killing at least 1,000 people and leaving millions homeless.

# Doesn't Dexia ring a bell? But where did you hear about us?

## Le Monde

09/10/96  
Le Crédit Communal de Belgique et le Crédit local de France fusionnent dans Dexia.  
Le nouvel ensemble pèsera 40 milliards de francs de fonds propres. La fusion économique annoncée en mars entre le Crédit local de France (CLF) et le Crédit Communal de Belgique (CCB) va prochainement devenir effective. Des assemblées générales d'actionnaires sont appelées le 9 et le 14 octobre à approuver les modalités du rapprochement. Le CLF et le CCB vont devenir des holdings et transférer tout leur contenu à deux sociétés opérationnelles dont chaque partenaire détiendra 50 %.

## LE SOIR

17/12/96  
Dexia est né. Reste à lui donner du contenu... Dexia fixe son premier objectif : des acquisitions. Le groupe bancaire belgo-français dispose d'un trésor de guerre pour financer ses futures emplettes européennes.

## LA LIBRE BELGIQUE

17/12/96  
Le groupe Dexia s'est assuré les moyens de ses ambitions internationales. Le président François Narmon n'exclut aucun marché pour donner au groupe belgo-français une nouvelle dimension.

mer leur confiance dans la stratégie des deux groupes. Dexia qui devrait déboursier entre 1,6 et 1,9 milliard de francs pour cette opération, n'envisage pas d'augmenter sa participation dans Crediop.

## Het Nieuwsblad

02/04/97  
Gemeentekrediet boekt winst van 10 miljard.  
De groep Dexia, de alliantie tussen het Gemeentekrediet en Crédit local de France (CLF), haalde in 1996 een nettogroepswinst van 19,4 miljard frank. Hoewel Dexia in 1995 nog niet bestond, stelde de groep pro forma-resultaten

## VERS L'AVENIR

02/04/97  
Dexia : un bénéfice de 19,4 milliards. 1996 est la 1ère année d'exercice du groupe Dexia, le groupe bancaire européen issu, en octobre 1996, de la fusion économique du Crédit Communal et du Crédit local de France. Dexia a connu un excellent exercice qui confirme la stratégie européenne du groupe employant 10 000 personnes.

## Handelsblatt

02/04/97  
Dexia Ensemble will weiter wachsen.

men in de Bel20-index. Het aandeel van het Gemeentekrediet voldoet aan alle voorwaarden voor opname, ook de eis dat het aandeel minstens acht maanden op de twaalf in de omzetsom 20 van de termijn aandelen prijkt. CMB voldoet aan alle voorwaarden om te worden vervangen.

## Les Echos

01/09/97  
Pierre Richard s'explique sur la stratégie de Dexia. Dans une interview aux «Echos», le président de Dexia et du Crédit local de France affiche clairement son ambition : faire partie,

ce de Dexia, le groupe financier issu de la fusion entre le Crédit local de France et le Crédit Communal de Belgique, a augmenté de 23,1 %, pour atteindre 2,1 milliards de francs.

## LE SOIR

16/01/98  
Dexia sort de la BBL avec le pactole : 15,5 milliards et «quelques dizaines» d'autres pour grandir.

## l'Echo

30/01/98  
Dexia : forte croissance (+ 54 %) des activités de banque privée. Les primes encaissées en matière

1997 (par rapport à 3,2 milliards de francs en 1996) sont confirmées.

## La Tribune

09/02/98  
Dexia filialise son activité internationale. Le groupe Dexia va filialiser son activité internationale de financement des équipements collectifs, qui sera dorénavant assurée par une nouvelle entité, Dexia Project & Public Finance International Bank. Dotée d'un capital de 3,3 milliards de francs, cette structure

Het principe-akkoord om de levensverzekeringsactiviteiten van Omob over te nemen is slechts een van de drie concrete dossiers die Dexia bestudeert. Voorzitter François Narmon maakte er gisteren bij de voorstelling van de jaarresultaten geen geheim van dat de groep, ontstaan uit de alliantie van het Gemeentekrediet en Crédit local de France, actief speelt naar overname-opportunititeiten om haar activiteiten verder te ontwikkelen.

## Correspondance économique

02/04/98  
Les hommes et les affaires. Dexia, qui affiche un résultat en hausse sensible à 3,57 milliards de francs vient de conclure avec le principal assureur-vie en Belgique, un important accord de principe en bancassurance. Dexia, né de l'alliance du Crédit local de France et du Crédit Communal de Belgique, a conclu avec la Smap, principal assureur-vie en Belgique, un important accord de principe de bancassurance en Belgique. Cet accord va permettre à Dexia «de renforcer son pôle assurance», a souligné hier le groupe présidé par M. Pierre Richard.

## LA LIBRE BELGIQUE

02/04/98  
Le groupe Dexia mise sur la bancassurance en signant un accord de principe avec la Smap. Il a réalisé une plus-value de 14,6 milliards sur la vente des titres BBL en Belgique, Suisse, Singapour, Grande-Bretagne, France et Australie.

## investir

06/04/98  
Dexia : de nombreuses alliances en préparation. Résultat : près de 6 milliards engrangés en 1997, grâce à une plus-value exceptionnelle.



Dexia, the European banking group created by the merger of Crédit local de France and Crédit Communal de Belgique, reported total assets of 185 billion euros

at the end of 1997. Dexia is the European leader in the financing of public service facilities and is also active in commercial banking and asset management.

## LE FIGARO

02/04/97  
Dexia veut améliorer sa rentabilité. Le groupe bancaire a enregistré une hausse de 10 % de son résultat net 1996. Il vise une rentabilité sur fonds propres de 13 %.

## De Personeel

01/08/97  
CMB geen enkele keer in maandelijkse omzetting. Dexia GK altijd. Dexia GK duwt CMB uit BEL20. Het vermoeden was er al langer, maar sinds gisteren hebben we zekerheid : Dexia GK zal na de handelssessie van vrijdag 19 december de plaats van CMB inne-

d'ici à cinq ans, des 30 premières banques mondiales.

## Finances

13/12/97  
Le marché séduit par Dexia France. Dexia a présenté à la communauté financière des résultats semestriels significativement supérieurs aux anticipations. Les analystes révisent en hausse leurs objectifs de croissance des bénéfices et saluent l'effort de transparence financière du groupe.

## Finances

13/12/97  
Excellents résultats. Au 30 juin, le bénéfice

d'assurance-vie ont grimpé de 160 %.

## LE REVENU

06/02/98  
Dexia : forte croissance de toutes les activités. Financement des équipements collectifs, activité de banque commerciale, gestion d'actifs : tous les clignotants sont au vert pour Dexia. Les seuls crédits aux collectivités locales ont progressé de 17,6 % en 1997, permettant au groupe de détenir une part de marché de plus de 10 % en Europe. Compte tenu de cette forte activité, les prévisions d'une croissance à deux chiffres pour les résultats de

## l'Echo

21/02/98  
Dexia Asset Management verra le jour cette année. Cette structure grand-ducale présidera un réseau de filiales étrangères, en Belgique, Suisse, Singapour, Grande-Bretagne, France et Australie.

## De Standaard

02/04/98  
Dexia speelt actief naar overname-kansen Winst-klim met 13 procent tot 21,9 miljard frank.

## LA VIE FRANCAISE

11/10/96  
Dexia, c'est le nom du groupe bancaire européen né de la fusion entre le Crédit local de France et le Crédit Communal de Belgique, approuvée en assemblée générale des actionnaires le 9 octobre. Le dividende exceptionnel de 25,50 francs, avoir fiscal compris, sera mis en paiement le 16 décembre prochain. Conserver le Crédit local.

## De Personeel

21/11/96  
De vliegende start van Dexia België. De oude parketvloer van de beurs van Brussel deed nog eens uitzonderlijk dienst. Niet als centrale verhandelingsplaats maar als een soort ontbijtkamer waarbij de genodigden "live" konden meemaken hoe de Gemeentekrediet-Holding, bekend als "Dexia GK" op de schermen, een vliegende start zou nemen. Terwijl de eerste minuten hectisch verliepen, bleef de preciese

## FINANCIAL TIMES

25/02/97  
Crediop deal completes Dexia network.

## 24 ORE

25/02/97  
Dexia, colosso franco-belga del credito agli enti locali, acquista il 40 % del Crediop e prenota l'1 % della banca torinese. Il San Paolo trova soci Oltralpe. L'operazione vale 500 miliardi. Per l'Istituto di Zandano utili a 600 miliardi.

## LE POINT

28/02/97  
ACTIF. Crédit local de France. Nouveau coup d'éclat pour le Crédit local de France. Fruit de sa fusion, l'an dernier, avec le Crédit Communal de Belgique, le nouvel ensemble Dexia vient de prendre 40 % de l'italien Crediop, spécialiste des prêts aux collectivités transalpines. Les marchés ont plutôt bien réagi à cette nouvelle. Il est vrai que les agences de notation financière Standard & Poor's et Moody's se sont empressées de réaffir-

op voor dat jaar. Daaruit blijkt dat de winst in 1996 tegenover 1995 is gestegen met 13,1 procent. Het Gemeentekrediet zelf boekte een nettowinst van 9,7 miljard frank, 13,7 procent meer dan een jaar geleden. "En net de helft van 19,4 miljard frank", grapt topman François Narmon gisteren.

## HET LAATSTE NIEUWS

02/04/97  
Gemeentekrediet (Dexia) vaart wel bij huwelijk met CLF. Als groep heeft de Frans-Belgische instantie Dexia (Crédit local de France en Gemeentekrediet) 19,4 miljard frank nettowinst geboekt.





## INTERNATIONAL

## Colombian President's Accuser Handily Wins the Presidency

By Diana Jean Schemo  
New York Times Service

BOGOTA — Colombians have voted a resounding end to the presidency of Ernesto Samper, electing as his successor the man who first accused Mr. Samper of accepting money from drug dealers.

The election Sunday of Andres Pastrana, the Conservative former mayor of Bogotá, over Horacio Serpa of the Liberal Party, Mr. Samper's interior minister and most loyal advocate, opens a new chapter in Colombia's relations with the United States, which have boiled over with bitterness and suspicion during Mr. Samper's four years in power.

With more than 96 percent of the vote counted, Mr. Pastrana had won 50.3 percent of the vote, to 46.25 percent for Mr. Serpa.

"The country clearly came out to vote for change," Mr. Pastrana said.

The unusually strong showing of Mr. Pastrana — who won a higher number of votes than any previously elected president — and a high turnout came in sharp contrast to public opinion surveys, all of which had shown the two candidates virtually tied for the presidency and had predicted a low voter turnout.

Rodrigo Losada, a political scientist at Javeriana University, said, "It's a rejection of all the negative things the country has been living through for the last four years — the government policies, unemployment, corruption, and a style of politics that's very tied to patronage."

Alfredo Rangel, a former national security adviser who confessed to being "absolutely surprised" by the results, agreed. "The Liberal Party political machine couldn't pull it off," he said. "And it was mobilized to the maximum."

Mr. Rangel said that relations with the United States would improve dramati-

cally with Sunday's election of Mr. Pastrana, probably entering a new era of closeness and cooperation between the two countries.

Mr. Serpa, in defending Mr. Samper, had frequently lashed out publicly against U.S. officials, at one point calling the former American ambassador here, Myles Frechette, "the crazy gringo."

Mr. Serpa conceded defeat Sunday night, saying, "I congratulate Andres Pastrana for his election as Colombia's next president, and I call on all my fellow countrymen to support him and accompany him in the difficult task he faces."

Under Mr. Samper, who was accused of accepting \$6 million from drug dealers in his election campaign and who was stripped of his U.S. visa two years ago, American officials cultivated ties with other individuals or agencies — like the chief of police, General Rosso Jose Serrano — while largely avoiding

direct encounters with the president. While Mr. Pastrana may enjoy strong electoral backing, the Congress here remains heavily Liberal. Ingrid Betancur, a Liberal deputy who has been supporting Mr. Pastrana's candidacy, said that Mr. Pastrana would probably seek a public referendum to elect a new Congress as part of an overall drive for political reform if he could not govern with the current Congress.

As president elect, Mr. Pastrana's first order of business is expected to be a direct meeting with the leader of the largest rebel group that has been battling government security forces for more than 30 years, the Revolutionary Armed Forces of Colombia. He pledges to hold such a meeting as early as next week if security permits.

The two candidates' potential ability to negotiate an end to the civil conflict that has claimed more than 30,000 lives in Colombia was, along with the econ-

omy, a top issue in the campaign. With the strong support of Colombia's business community and his Conservative credentials unquestioned by the military, Mr. Pastrana appears to have wide latitude for tackling the country's most difficult problems.

In the final days of campaigning, Mr. Pastrana had pledged to meet with Manuel Marulanda, the rebel leader, who had already met with Mr. Pastrana's campaign chief the week before.

Mr. Pastrana has vowed to lead negotiations with the leftist rebels of the Revolutionary Armed Forces of Colombia and with the smaller National Liberation Army and has agreed to a guerrilla demand that government security forces evacuate five municipalities during any peace negotiations. He has pledged separate parallel talks with right-wing paramilitary leaders, who have been demanding a say in any peace negotiations.

NIGERIA:  
Exit by Military?

Continued from Page 1

said Mr. Elagwu, who lectures at Nigeria's military academies and has known General Abubakar for years.

Virtually all analysts say that General Abubakar is a career officer likely to be troubled by the military's loss of integrity, prestige and cohesion as a result of its long, corrupt and economically disastrous rule.

Still, "after several years of misgovernment, they have a serious problem in disengaging" from power, said Alani Akinnade, a former army general now a pro-democracy activist in exile in the United States. Officers could risk prosecution by future governments for corruption and human rights abuses, "and they are looking for some way to protect themselves," Mr. Akinnade said.

In terse initial statements after General Abacha's death, General Abubakar insisted that he would help to establish a civilian government. But last week, hints of change emerged.

Officials released nine of Nigeria's scores of political prisoners last Tuesday including the former military ruler Olesegun Obasanjo — and another six on Thursday. Top officers have said privately that more releases are planned, according to Dapo Olorunfemi, a Nigerian editor in exile near Washington.

On Wednesday, General Abubakar met leaders of the five legal political parties, which under General Abacha were seen as his puppets. They now are pressing for at least some democratizing reforms in the transition plan.

And top officers or their associates have been making discreet contacts to talk politics with opponents, including Mr. Abiola, the political leader M.D. Yusufu, and Nigerian dissidents in exile. But leaders of Nigeria's mainstream pro-democracy movement, centered in the southern city of Lagos, say they have heard nothing from the military, even privately.

They largely have dismissed the gestures of General Abubakar's government and promise a campaign of civil disobedience to force the military to hand over power immediately.

The conflict has led to clashes, arrests and deaths in the last two months. As with all politics in Nigeria, this is largely an ethnic and cultural conflict. The military is dominated by northerners from predominantly Islamic, Hausa-speaking ethnic groups. The pro-democracy movement is rooted mainly in the Yoruba homelands of the southwest, around Lagos.

Pro-democracy activists, largely Yorubas, insist that the military must now let Mr. Abiola form a transitional government to oversee drafting of a new constitution and the holding of elections. In Abuja, the Nigerian capital, a government spokesman told Reuters that negotiations with Chief Abiola began last Tuesday. "We have reached an advanced stage," he said.

Mr. Abiola is being held in a comfortable house in Abuja and recently has been permitted to exercise, taking regular walks escorted by soldiers, said his daughter, Hafsat Abiola.

While the family does not know details of the talks, the military has made clear "it wants him to give up his claim" as the rightful leader of Nigeria, said Hafsat Abiola, who lives in exile near Washington.

Top officers are pressing her father to accept a lesser role in a transition or to leave public life, his daughter said. They have suggested that they would not force him to abandon a future run for the presidency, she said, but after the scuttling of the 1993 vote. "How can we trust that?"

## More Oil for Nigerians

The new Nigerian regime, seeking to combat fuel shortages, has increased the amount of crude oil for domestic consumption by 20 percent, press accounts said Monday, Agence France-Presse reported from Lagos.

## 'Geraldo' Going To China for NBC

Washington Post Service

WASHINGTON — The "Today" show is sending one of NBC's high-powered correspondents to China for President Bill Clinton's trip. His name is Geraldo Rivera.

Some NBC reporters are apoplectic over the decision, especially after the network submitted requests for Mr. Rivera to chat with Mr. Clinton and Secretary of State Madeleine Albright.

Mr. Rivera has a reputation for flamboyance from his years as a daytime talk-show host; his nose was broken in an on-air fight, and he once had fat liposuctioned from his backside and put in his forehead. But he has regained a measure of respect for his CNBC legal show.

"I'm experimenting," said Jeff Zucker, executive producer of "Today." "Geraldo has his own style that has both fans and detractors. But he has a style that's unique."

But one NBC staffer, who asked not to be identified because he bosses are supporting Mr. Rivera, said: "Everyone is just appalled and outraged. It changes the whole product. It's clearly an effort at legitimizing him."

Mr. Rivera signed a contract with NBC News last fall that is said to be worth \$5 million.

After Mr. Rivera arrives in China, Mr. Zucker said, he will develop feature stories while NBC's White House correspondents cover breaking news. But Andrea Mitchell, NBC's chief foreign affairs correspondent, did not make the cut.

## JIANG: China's Leader Appears to Stake Legacy on U.S. Ties

Continued from Page 1

group from the former prime minister, Li Peng, consolidating his control over foreign policy.

Mr. Li was known, American diplomats have contended, as an opponent of close ties with the United States. He is closely associated with the crackdown on student-led demonstrations around Tiananmen Square in June 1989. And he spoke often of the need to create a "multi-polar world order" and against the domination by a single superpower, the United States.

"Mao, Deng and Zhou Enlai really took the United States very seriously — as the most important country in the world and worked to build good ties with America," said Yuan Ming, the head of the Institute for International Relations at Beijing University. "Jiang has inherited these ideas. In this regard, he is a good student of Deng."

The reason Mr. Jiang has gone to bat for U.S.-China ties, Mr. Yuan and others say, is two-fold.

First, improving ties with the United States is now seen by many in China as a good unto itself — important both for China's desired status as a world, or at least regional, power and its economic development.

If China views itself as threatened by the United States, said Joseph Fewsmith, a political scientist at Boston University, that makes a lot of domestic reform policies more difficult to achieve — such as expanding the stockholder system and other capitalist-style reforms.

In that way, he said, Mr. Jiang and Mr. Li are both convinced of the linkage between relations with the United States and domestic politics — but for very different reasons. "Li was suspicious of the United States, and tensions within the relationship bolstered some of his efforts to hinder reform," Mr. Fewsmith said.

"Jiang seems to have overcome his initial suspicions of the U.S. and to have become committed to the relationship — but now he needs a successful summit to sell the relationship to sometime skeptical colleagues."

The second reason for Mr. Jiang's efforts to cultivate the United States is that after years of trying to deal with Taiwan directly, he has apparently come to the conclusion that the road to reunification with the breakaway province of 21 million people leads through Washington.

In January 1995, he put forward an eight-point program for reunification with Taiwan that among other things allowed Taiwan to keep its own armed forces and political system.

That year, in what was interpreted as a bitter defeat for Mr. Jiang, Taiwan's president, Lee Teng-hui, rejected the

## China Snag for Clinton

The Boston Globe

WASHINGTON — As President Bill Clinton prepared for summit meeting in China this week, his advisers have been surprised by threats from the Beijing government not to broadcast his speeches live.

Citing "technical difficulties," Chinese authorities have told a White House advance team that it would be nearly impossible to show several toasts and speeches live with simultaneous translation.

U.S. officials say the Chinese are making excuses.

Taped and delayed broadcasts will give President Jiang Zemin's government time to edit Mr. Clinton's speeches, toning down or deleting any calls for democratic openings and improvements in human rights.

President Clinton is to arrive in China on Thursday.

program and then obtained a visa to the United States, thanks in part to Taiwan's well-oiled lobbying machine in Washington.

China reacted strongly, launching two sets of war games off Taiwan's coast. The United States dispatched two aircraft carrier battle groups during the second exercises in 1996.

U.S.-China relations — and the prospect of reunification with Taiwan — could not have been worse.

After that debacle, Chinese analysts said, Mr. Jiang profited from the decision to improve ties with the United States by jumping on the bandwagon.

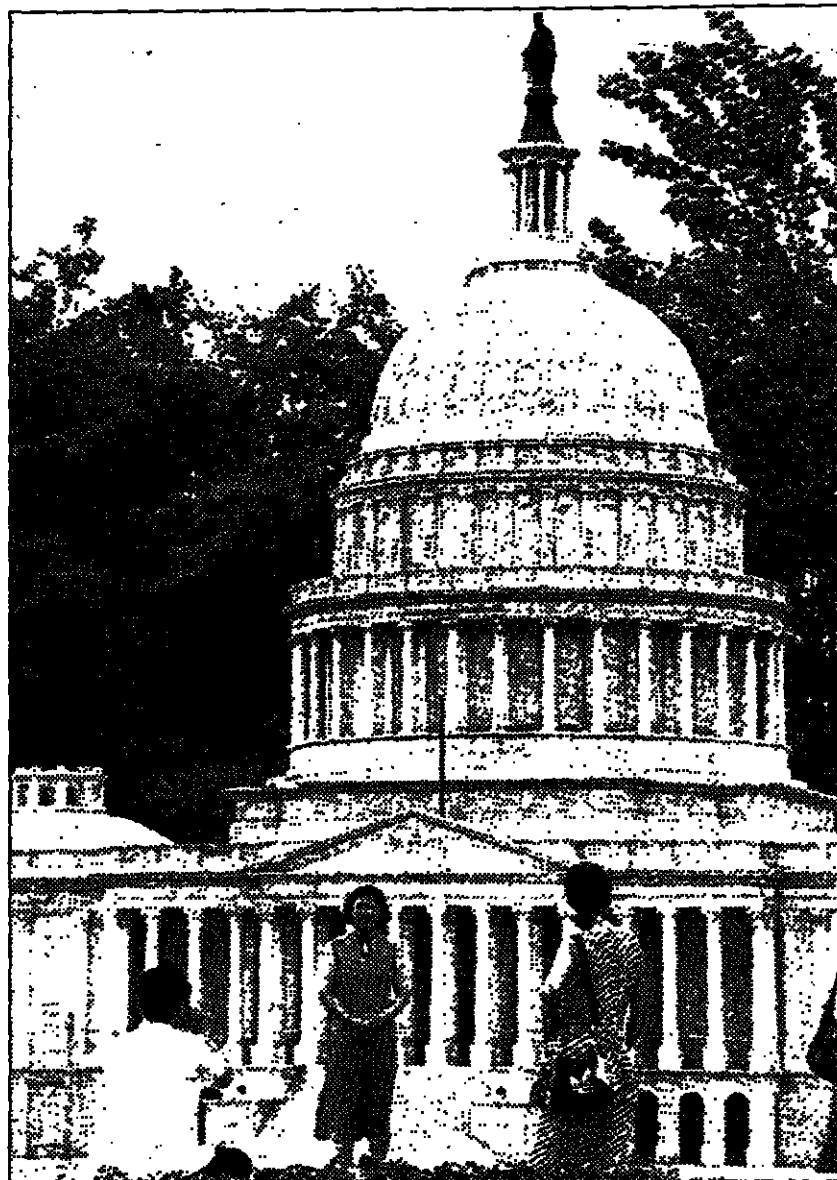
A senior Chinese diplomat said that as ties with the United States improve, China expected that Washington would begin to pressure Taiwan to engage in reunification talks with China.

Already a series of former U.S. officials, like former Secretary of Defense William Perry, have gone to Taiwan with a blunt message: If you declare independence, the United States might not be there to protect you if China attacks.

Prime Minister Zhu Rongji has been given responsibility for the economy and for carrying out the risky reforms of state-owned industries. Mr. Li, who became chairman of the National People's Congress, is believed to be responsible for internal security matters.

"Li will take the heat for political-social stability and Zhu will do the same in economic matters, although Jiang will get credit if they succeed," said Wu Guoguang, a former aide to Zhao Ziyang, deposed Communist Party secretary who fled to Hong Kong in 1989 and now teaches at the Chinese University in Hong Kong.

"In this way, Jiang has established himself as the real 'core' of the Chinese leadership to succeed Mao and Deng," Mr. Wu said.



Chinese taking a look at a miniature of the U.S. Congress building at a park in Beijing. The city is awaiting the arrival of President Bill Clinton.

## Construction Takes Off at Asia's Airports

Agence France-Presse

SINGAPORE — While some smaller Asian airlines are collapsing or on the brink of bankruptcy, Asia is on an airport-building spree, raising fears among some analysts of regional overcapacity and underutilization.

Among new airport facilities being built:

- Malaysia will launch a high-tech, \$2.3 billion airport on June 30. Initial capacity will be 25 million passengers a year, double that of the current airport, with expansion provisions for up to 100 million passengers.

- A new Bangkok international airport is due to be operational in 2004. Plans have been scaled down from two runways and a capacity of 30 million passengers a year to one runway and 20 million passengers.

- China, the one bright spot in Asian aviation, is targeting 10 percent annual growth in traffic in the next 20 years, the world's highest. It is undertaking some 40 airport creation, extension or renovation projects, including one for each of the 22 provincial capitals. The biggest are two new airports in Guangzhou and Shanghai, and an extension in Beijing.

- Singapore is to build a third terminal, which would be operational around 2004, and expand cargo facilities at Changi airport, which is already reputed to be the world's best and is still far from saturated.

- Sydney Airport's \$488 million expansion is by far the largest such project under way in Australia, whose airports are now mostly privately owned. It is being upgraded for the 2000 Olympic Games.

- Taiwan's Chiang Kai-shek International Airport is building a new terminal, expected to be completed by January 2000, doubling capacity to 30 million passengers a year.

- Philippine Airlines may be in deep trouble after a crippling strike by pilots, but Manila is building a second terminal due to be finished in October, and a third terminal, the biggest, is to be completed around 2001.

- South Korea plans to complete the first phase of a new international airport west of Seoul by the end of 2000. It will handle 27 million passengers and 1.7 million tons of cargo a year.

## AIRPORT: \$20 Billion Cost of Chek Lap Kok Adds Pressure on Hong Kong's Economy

Continued from Page 1

landing and parking fees, just as tourist arrivals are slumping by almost half compared with last year.

For residents of Hong Kong, experiencing the highest unemployment rate in 15 years, apples from Washington state, fish from Europe, and cheese from Australia will all cost more.

At the same time, the higher costs will make the airport less competitive with other facilities in the region, amid a boom in airport construction and expansion in China, Taiwan, Singapore and Thailand.

"We are raising costs by 30 percent at Chek Lap Kok," to 1.40 Hong Kong dollars (18 cents) per kilogram, said Anthony Charter, managing director at Hong Kong Air Cargo Terminals Ltd.,

the monopoly freight handler at Kai Tak Airport, but which will soon face competition from an another handler when the new airport opens.

"It's certainly the most expensive facility on a per-square-foot basis in Asia, and there aren't too many places in the world as expensive as they are at this airport," said Ross Allen, operations director for DHL Worldwide Express.

DHL will try not to increase its rates because of the new airport, hoping that having its own handling facility will compensate for the higher landing fees. Like most shippers using Chek Lap Kok, DHL is counting on higher volume and greater efficiency to keep costs down, and in the long term plans to make Hong Kong a regional hub.

Hong Kong's woes are multiplied because in addition to the greater cost of its

new airport, the territory faces greater competition from three major airports within a three-hour drive: Macau, Zhuhai and Shenzhen. These will eventually help reduce business costs for exporters, but may make it harder for Hong Kong's new airport to pay for itself.

Just as Hong Kong's freight rates and landing fees are jumping, nearby Macau airport has announced a 50 percent cut in landing fees during the slower overnight period.

That should prove cost effective for goods that are now made in the Chinese city of Zhuhai, across the border from Macau, but which are often sent by truck to Hong Kong for air shipment.

Mr. Eckes estimated that trucking costs to the new airport could rise by as much as 5 percent once the extra

distance and tolls were factored in. These expenses could have been avoided if the airport had been built on land close to the mainland Chinese border.

In addition, the southern Chinese city of Guangzhou is expected to open a new airport in two years, which like Chek Lap Kok will feature two runways. It is expected to be much cheaper to use.

President Jiang Zemin of China will officiate at an opening ceremony for the Hong Kong airport on July 2, when he receives President Bill Clinton.

On Sunday, the first run of the special railroad was beset with problems, as the scheduled 23-minute train took 48 minutes to reach the airport, repeatedly jolting to a stop, and featuring patchy air conditioning and malfunctioning video screens.

## HONG KONG: Government to Halt Land Sales Amid Recession

Continued from Page 1

of Hong Kong's growth, these auctions used to draw scores of developers, who bid up the price of land to absurd levels — secure in the knowledge that they could build towering apartment blocks and sell the units for millions.

Now, though, the auctions have become dismal affairs.

As for the 2 million Hong Kong people who already own apartments, Sir Donald said the 40 percent decline in property prices was "traumatic" and that the government needed to reassure them that their investments were not worthless.

By foregoing auctions for nearly a year, Sir Donald estimated that the government would lose more than 30 billion dollars (\$3.8 billion) — swinging the government from a surplus to a rare budget deficit of 21.4 billion dollars.

Sir Donald and Mr. Tung both re-affirmed Hong Kong's determination to

continue linking the Hong Kong dollar to the U.S. dollar. But analysts said the action Monday raised questions about how much economic hardship Hong Kong was willing to endure before it devalued its currency.

Normally, in an economy with a fixed exchange rate, the government would allow external market forces to depress the price of assets such as property. That is exactly what Hong Kong did over the last six months. Unlike other Asian countries, which devalued their currencies, Hong Kong defended the dollar by raising interest rates, even though that devastated the property market.

But now, Hong Kong seems to be bowing to political pressure to ease the pain. The free-fall in property prices hammered both powerful property developers and individual home-owners.

Hong Kong's newly elected legislators accused the government of being insensitive to the plight of ordinary citizens, while the tycoons twisted the arms of top officials in private meetings.

Real estate executives said the decision would restore confidence. "It's the signal that the market has been waiting for," said Nicholas Brooke, chairman of Brooke Hillier Parker, a real estate brokerage firm in Hong Kong.

But other experts said the government was engaged in an increasingly desperate struggle to ease the pressure of a "bubble economy" that burst.

"Either land prices would have had to give, or the peg would have had to go," said Jan Lee, chief economist of Hong Kong Shanghai Bank.

Mr. Lee and other economists said property prices still had further to fall before they bottomed out. And some questioned what else the government could do — short of abandoning the peg and devaluing the Hong Kong dollar — if Monday's action did not ease the burden of the economic crisis.

capture of its submarine and crewmen. President Kim Dae Jung placed military units on full alert throughout the sensitive northeast region of South Korea, ordering them "to defend swiftly but carefully" against the possibility of North Korean retaliation for the capture of the submarine.

In the September 1996 incident, a North Korean submarine ran aground off the South Korean coast with 26 agents from the North. In a hunt, 24 of the crewmen were shot dead, one was captured and one escaped.

In what was probably a coincidence, North Korea, several hours before the incident on Monday, threatened to resume its nuclear program if the United States did not lift economic sanctions against the North.

Adding to the puzzle was that South Korea's wealthiest industrialist, Chung Ju Yung, the 83-year-old founder of the Hyundai group, the country's largest conglomerate, is to return through Panmunjom Tuesday with three brothers and two sons after a week in the North.

North Korea is expected to protest the



Mr. Tung announcing the new measures in Hong Kong on Monday

## KOREA: Net Snags Minsub of North, Dimming Outlook for Talks

Continued from Page 1

siderably damaged," a defense official told the Korea Broadcasting System. "It was floating on the surface when discovered. It was not in a position to attack South Korea."

Noting that the submarine was barely inside South Korean territorial waters when captured, defense officials said it might have strayed off course after it was caught in the net.

The capture of the submarine may complicate efforts to bring representatives from North and South together as part of President Kim Dae Jung's "Sunshine" policy toward the North.

South Korean officials said they plan to raise the topic at talks Tuesday morning between generals from the United

Nations Command, including the United States and South Korea, and North Korea at the truce village of Panmunjom.

The previously scheduled talks are the first on the general-level in seven years.

"This incident will definitely affect this conciliatory mood," said a South Korean broadcast commentary. "We don't understand why the North Koreans are doing this when talks are being arranged."

Adding to the puzzle was that South Korea's wealthiest industrialist, Chung Ju Yung, the 83-year-old founder of the Hyundai group, the country's largest conglomerate, is to return through Panmunjom Tuesday with three brothers and two sons after a week in the North.

North Korea is expected to protest the



Continued from Page 1

• 4. 1911 for Nigerians

## 'Geraldo' Going To China for NBC

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By *Dr. [illegible]*

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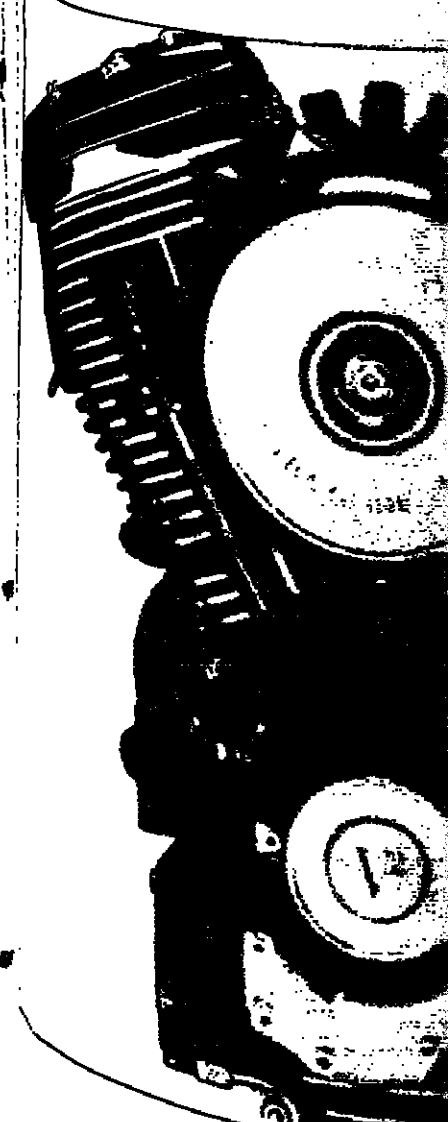
**BRIEFLY**

## Egypt Allots Human Cleric To Make the Transit to Cairo

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**For the Record**

In their private lives, they work with the  
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AS - Austrian; B - Belgium; BZ - Brazilian; CA - Canadian; CH - Chinese; CIL - Cile; CIO - Deutsche Mark; CIO - Czech; CIO - Danish; CIO - Dutch; CIO - French; CIO - German; CIO - Greek; CIO - Italian; CIO - Japanese; CIO - Korean; CIO - Mexican; CIO - New Zealand; CIO - Norway; CIO - Portugal; CIO - Spanish; CIO - Swedish; CIO - Swiss; CIO - Taiwan; CIO - Thailand; CIO - United Kingdom; CIO - United States; CIO - West Germany; CIO - Yugoslavia; CIO - Zaire.



## INTERNATIONAL

Zimbabwe Land War  
Opens a New FrontBy Donald G. McNeil Jr.  
New York Times Service

MARONDERA, Zimbabwe — "Be very careful, please," said Richard Magorimbo Madzorera, crouching low to slip through the sharp, rusty fence without touching it. "We don't want to damage the farmer's wire."

Even though their rotted shoes are falling off them and they are living on dried corn and pumpkin leaves they carry 20 kilometers (12 miles) from home, the black squatters on Daskop Farm are being extraordinarily careful of the white owner's property.

They want the farm — they say it is their ancestral land, and can even point out a stone they say their great-grandmothers ground corn on. But right now they are not willing even to walk across one of his fallow fields.

In the endless war over land that began when whites seized the country 120 years ago and led to government promises in recent years to redistribute the land to poor farmers, a new front opened last week. Hun-

dreds of subsistence farmers from 20 villages in the Svosve communal area left the stony hills their families had been pushed into and moved onto three farms in the Marondera area. They say the Zimbabwe government's land program is going too slowly.

"We decided to take the first move," said Donald Shoniwa, 42. "We were not prepared to die from hunger."

Svosve's depleted soil is so thin that "we dodge the stones like monkeys," said Modesto Murambatsvina, 36. Carrying babies, hoes, food and blankets, they left their school-age children and hiked here. They came now, they said, so as not to miss spring planting, which begins by August.

Whites in Zimbabwe, less than 2 percent of the population, own 70 percent of the land, and for 17 years after independence, the government dithered, making unfulfilled promises about land reform.

Then, last year, with the embattled President Robert Mugabe declaring "the time has come," it suddenly published a list of 1,503 farms — half the country's export-producing acreage — that it said it intended to seize without payment.

An international outcry ensued, the currency plummeted and farmers asserted that cabinet ministers were plotting to steal their best farms for retirement villas.

Since then, things have calmed down. The government, farmers and international donors are talking. About 200 farms available for sale were found, said David Hasluck, executive director of the largely white Commercial Farmers Union, and about \$800 million in grants and loans from donors and banks has been offered on the conditions that the land is paid for, that it goes to



Squatters on a white farm designated by the Zimbabwe government for resettlement by blacks.

poor people and that they are settled, not just dumped.

But so far, not a single farm has been bought, or even assessed, Mr. Hasluck said. "Time is short, and the government doesn't have focus."

For the people of Svosve, time ran out. They said they picked Daskop, Homepark and Igava farms from the government's list, and are asking for parts that are not being used.

"We don't want to displace the farmer," said Frederick Hwengere, 30. "We want to share equally with him."

Daskop is an obviously well-run farm with a big irrigation pond, a husking plant, fields of seed corn growing under plastic tents and cattle fattening on watered grass. The squatters are living on a distant corner, keeping to themselves.

There has been no trouble, said Shaun David, the farm manager, and he has been told by the owner to leave the squatters alone.

Igava Farm next door had been listed for seizure, Mr. Hasluck said, and was then offered for sale to the government.

"It's one of the best in the area," he said, with huts, a clinic, a school and a butchery, all built for its workers, on the land.

It was offered, he said, because the owners — the same extended family owns several farms in the area — knew the Svosve ancestral graves were on it.

"They don't want to go up against people on tradition like that," Mr. Hasluck said.

The owners said they would use the sale proceeds to build new hous-

ing and schools on their remaining farms, he said.

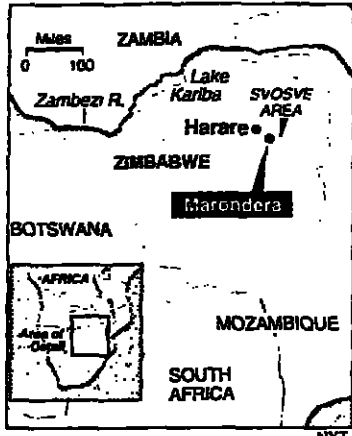
Exactly what the government will do is not known yet.

On Sunday night, state television reported that the minister of land thought he had convinced the squatters to go home until the government can resettle them at its own pace.

The squatters say the government has broken simple promises, like handouts of seed corn, and among their leaders are veterans of the 1980s war against white rule, whose association has recently become so militant that it clashed with its former commander, Mr. Mugabe.

If the squatters refuse to leave, the police may be asked to move them.

"We don't think we can retreat," said Abraham Mpunga, 30. "We can't leave this place."



## BRIEFLY

Egypt Allows Hamas Cleric  
To Make the Transit to Gaza

CAIRO — Sheikh Ahmed Yassin, the spiritual leader of Hamas, arrived here Monday from Sudan on his way to the Gaza Strip, officials said.

Sheikh Yassin, his son and an aide had waited more than two weeks in Khartoum, the Sudanese capital, after Egypt denied them entry visas.

Egypt was reportedly waiting until Israel officially announced that they would let the Hamas leader return to Gaza.

But Thursday, the Egyptian Embassy in Khartoum informed Sheikh Yassin that he would be granted permission to travel to Egypt. It was not clear what prompted Egypt's change of mind since Israel has not announced any decision for his return.

He is expected to stay in Cairo for two days to receive medical treatment before he travels to Gaza, said the officials, who spoke on condition of anonymity. (AP)

## Lull in Guinea-Bissau Fighting

MPAK, Senegal — Senegal has begun shipping home its dead from Guinea-Bissau, where the embattled capital was spared overnight from the wholesale shelling that has typified its two-week-old conflict.

Only sporadic gunfire crackled through the northern outskirts of Guinea-Bissau's capital, near the airport where the country's breakaway military faction has dug in to hold off loyalist forces, a Senegalese military commander said Monday.

The bodies of several Senegalese troops, fighting on behalf of President Joao Bernardo Vieira, were flown to the southern town of Ziguinchor over the weekend, said a statement from Senegal's military command in the capital, Dakar. No exact body count was given. (AP)

## For the Record

An Italian priest known for his work with the poor was gunned down in the slum in the southern Brazilian city of Sao Bernardo do Campo, where he lived, the police said Monday. The Reverend Leo Commissari, 56, was found dead Saturday with gunshot wounds to the chest and neck. (AP)

## Female Circumcision: A Village Issue

By Vivienne Walt  
Special to the Herald Tribune

DIABOUGOU, Senegal — Aissa Tou Sarr thought she would never see that moment. The old Muslim priest had walked for days in his rubber thongs and white robe, arriving here late last year to urge the community to stop Miss Sarr from doing her life's work: cutting off the genitals of young girls.

"In a village where people were shocked, and shouted in anger," Miss Sarr said, "this was our tradition." Some walked out of the meeting.

Miss Sarr was about to join a movement that has gusted through Senegalese villages in the last year. Village after village has declared an end to female circumcision, in which a girl's clitoris, and sometimes the inner and outer vaginal lips, are removed. The practice is widespread in large areas of Africa.

Miss Sarr, in her 50s, had been the ritual circumciser for the village for decades, using a razor blade to cut about 200 girls every rainy season. She learned the trade from her grandmother, who had circumcised her at 15, and in turn, had excised the genitals of her daughters, grand-daughters and great-granddaughters.

Circumcision has provided her with a decent living: about \$8.30, free lunch, and a bar of soap for each operation. "I couldn't stop thinking, 'How am I going to take care of my family? What am I going to do?'"

After weeks of bitter argument, the villagers gathered in February, and vowed never again to circumcise their girls. A centuries-old tradition was dead within minutes.

Since July 1997, 29 Senegalese communities have declared an end to female circumcision, and begun pressing others to join them.

About 130 million African women in

28 countries are circumcised, and thousands die each year as a result, in childbirth, or from infections and hemorrhaging, according to the World Health Organization.

Yet, despite the outraged arguments from judges and numerous officials that cutting off genitals violates girls' rights, Western exhortations have had little effect in Africa. In fact, they have often been met with defensive hostility by African women of whom believe the tradition is required not only by Islam, but by hygienic and to encourage appropriate sexual behavior, too.

In Senegal, a West African nation with barely 8 million people, one education program is having dramatic success.

But now, in this small West African country, with barely 8 million people, one education program is having dramatic success.

Ending female circumcision was not on the agenda 10 years ago, when Molly Melching, an American, founded the Tostan organization. Ms. Melching, who has lived in Senegal since she arrived in 1975 as an exchange student, designed an intensive literacy and skills training program, funded largely by Unicef, built around group discussions.

In several villages last month, people described how Tostan's classes gradually made them begin challenging their most fundamental beliefs.

Rather than confront head-on such issues as circumcision, Tostan — which means "breakthrough" in the national language, Wolof — took several months before even broaching the subject of women's health.

"We never spoke about sexuality,"

Ms. Melching said. "We only spoke about health, and rights."

Villagers say months of discussing infections, childbirth and sexual pain inevitably led them to question circumcision, and so to discuss subjects almost never mentioned in public before.

Making a political issue of genital mutilation, she said, or declaring it a barbaric act, does not convince many Africans.

"These women really love their children," Ms. Melching said, adding that many Africans counter Western indignation by likening the pain of circumcision to Western women suffering face-lifts. While Ms. Melching stresses human-rights violations, the health risks are what really hit home. "That's something everyone gets: without health, they can't do anything."

Ms. Melching said Western organizations too often hoped to persuade individual Africans to abandon female circumcision, without understanding that such independence could leave an African woman with no husband to marry, and a family subjected to scorn or ostracism.

Demba Diawara, the priest who arrived in Diabougou to argue against circumcision, said, "Even if you learn something is bad, if it's your tradition, you can't just get up and stop it."

Even within villages that have vowed to stop circumcision, it has been a hard battle. In Malicounda, a village of 3,000 people some 90 kilometers south-east of the capital, Dakar, women argued bitterly with men, who feared that their public renunciation of circumcision would deeply embarrass them.

"We would not back down," said Maimouna Traore, 60, who heads Malicounda's women's organization.

She told the village men that "when the drum beat changes, the dance has to change, too."

German Who Leaped  
To Freedom Is Suicide

The Associated Press

INGOLSTADT, Germany — It is one of the best-known images of the Cold War: An East German soldier, his head bowed and his arms spread, leaping to freedom over a tangle of barbed wire that would soon become the Berlin Wall.

Thirty-seven years after his famous flight to the West, the former soldier, Conrad Schumann, has committed suicide. His wife discovered his body Saturday hanging from a tree near his home in Kipfenberg, a village outside the southern town of Ingolstadt.

The motive for the 56-year-old man's suicide was not known.

Mr. Schumann fled East Berlin on Aug. 15, 1961, two days after East German leaders ordered construction of the Berlin Wall to prevent a hemorrhage of people fleeing the Communist state.

The famous photograph captures the 19-year-old soldier, his head bowed, just as he clears the coil of barbed wire that served as temporary barrier before a concrete wall was built to replace it.

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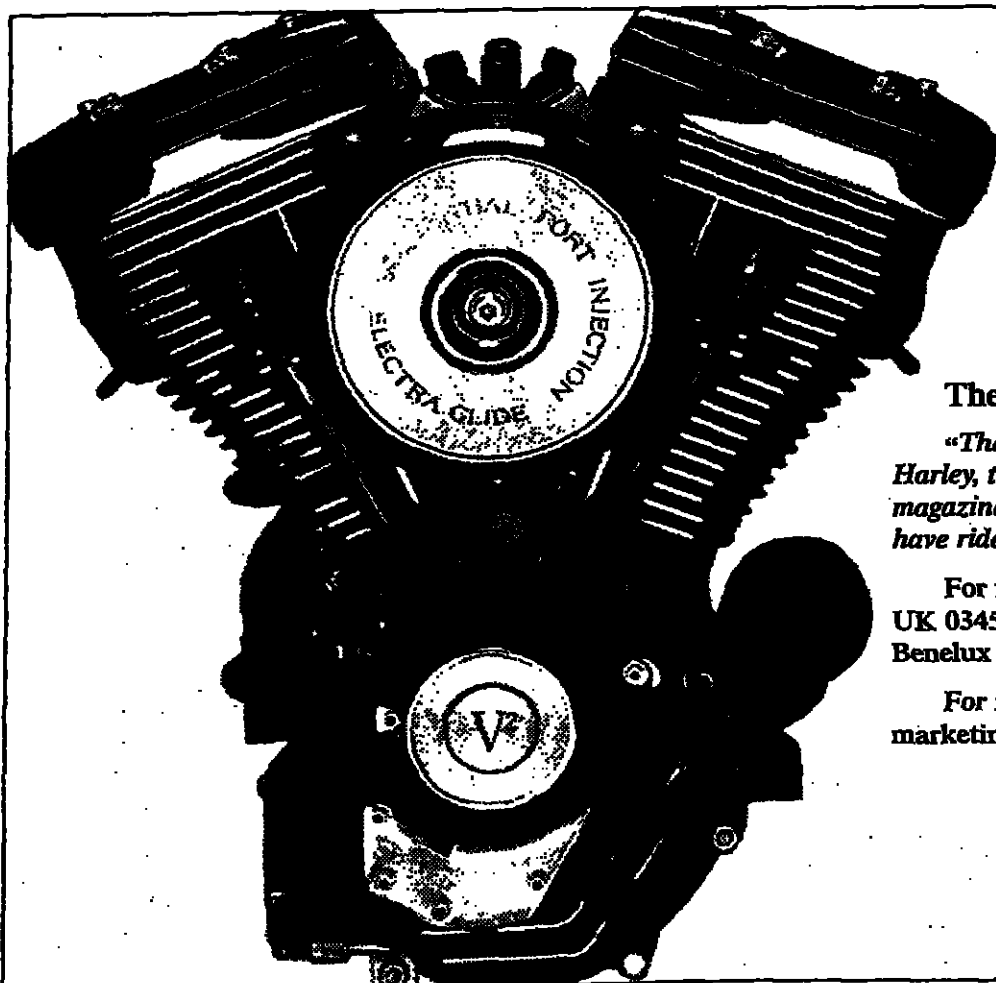
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## EDITORIALS/OPINION

## Herald Tribune

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## Warring in Colombia

Washington's growing involvement in a brutal Latin American guerrilla war echoes the opening stages of U.S. intervention in the conflict in El Salvador in the 1980s. Diana Jean Schemo and Tim Golden reported in The New York Times this month that much of the aid the Pentagon is giving Colombia's military to fight cocaine is being used instead to fight guerrillas. U.S. special forces trainees work in Colombia teaching the military such skills as jungle maneuvering and psychological operations. While the level of support is far below U.S. aid to the Salvadoran military in the 1980s, the administration is unwisely considering an increase.

As in El Salvador, U.S. aid is going to an abusive and inept army fighting vicious Marxist guerrillas. The guerrillas kill politicians and kidnap Americans. The military has strong ties to paramilitary death squads, which massacre peasants and murder human rights workers and left-wing politicians. Last year, 10 people a day died in political murders. Seventy percent of the killings were attributed to soldiers or paramilitaries.

Support for the army also undermines Colombia's precarious civilian institutions. The military is defying a constitutional court ruling to reform its justice system. Generals have openly refused to obey presidential orders relating to peace.

Advocates of increased military aid and training, who mainly work in the

Pentagon, contend that Colombia's soldiers need light infantry training and equipment and other skills that can be used against any foe. They and the White House drug office call the insurgents "narco-guerrillas" and argue that the battles against drugs and against guerrillas cannot be separated. But training will take years to make a difference, and Colombia's military has often rejected useful advice in the past.

The narco-guerrilla connection is disputed by many in the Colombian government and the U.S. State Department, who call it a label invented by the Colombian military to allow them to use the aid to fight guerrillas. Myles Frechette, the U.S. ambassador to Colombia until the end of 1997, publicly criticized the term, and U.S. intelligence services in 1996 concluded that the term was far overblown. Ironically, there may be strong ties between the paramilitaries and the traffickers. Colombia's investigative police say Carlos Castaño, a top paramilitary leader, heads a drug cartel.

As in El Salvador, peace talks are the only solution to a civil war that neither side can win. Colombians overwhelmingly endorsed talks in a referendum last year, both candidates in the presidential runoff election backed them, and previously recalcitrant guerrillas are showing interest. Washington can best support the talks by terminating its aid to a military that has undermined them.

—THE NEW YORK TIMES

## A Solution for Forests

The world's forests have been under siege since the turn of the century, but this year has been calamitous. In Canada, Brazil, Mexico, Central America, Africa and Indonesia, fires have destroyed some 16 million forested hectares (40 million acres). The easy explanation is El Niño, a perverse weather system that has flooded some regions but left others bone dry. But the main culprit, as always, is human activity, chiefly logging, mining and agriculture, which dries out the forest by stripping it bare of trees, leaving even humid tropical rain forests vulnerable to fire. For that reason, the fires are likely to recur, with or without El Niño, unless something is done to curb mankind's insatiable appetite for wood.

In that context, there was a small ray of hope in the announcement this month that Suriname had decided to give permanent protection to 1.6 million hectares of untouched tropical forests, about one-tenth of the entire country. Suriname reached its decision at the urging of Conservation International, an American environmental group that has set up a private trust fund to help it manage the area. The group became actively involved in Suriname several years ago, when Asian timber interests, having pretty much stripped their own countries of marketable hardwoods, sought timber rights on 4.5 million hectares of Suriname's forests. It rejected that deal, and has now put 1.6 million of these hectares out of reach.

What makes this decision so heartening is that Suriname is a poor country that might normally have jumped at the quick profits promised by foreign logging interests. Far richer nations, like Brazil, have been unable to resist these blandishments, and Asian timber interests are even now burrowing deeper into the Amazon rain forest. At the other end of the economic scale, Guyana, Suriname's destitute neighbor, has opened up two-thirds of its forest mass to foreign companies.

Suriname chose the long-term economic value of forests over short-term revenues from logging and other resource-depleting activities. It hopes over time to make money from tourism generated by the forest and its spectacular animal life, from non-timber forest products like tannins and resins, and from "bioprospecting"—the search for medicines among forest plants. The U.S. National Institutes of Health and big pharmaceutical companies like Bristol-Myers Squibb are already engaged in this search.

This avenue has been left unexplored by most of the world's governments, which own 80 percent of the world's forests and which as a rule cannot see beyond the next truckload of mahogany. The lure of short-term gain is also the main reason why various international agreements, including the nonbinding "Forest Principles" adopted at the 1992 Earth Summit in Rio de Janeiro, have had zero impact.

The larger point is that a living forest is worth more than a dead forest, locally and globally. Healthy forests prevent erosion and water pollution. They also act as a natural "sink" for the carbon-based gases that contribute to global warming, and, perhaps most important, they harbor at least half of all plant and animal species, with enormous untapped benefits for human health.

More than half of the world's original tropical forests have disappeared, mostly in this century. At present rates of destruction, half of what is left could vanish in the next 50 years.

This depressing prospect has not, however, inspired the wealthier nations to act constructively. One of the few tangible products of the 1992 Earth Summit was the Global Environmental Facility, a multilateral body designed to persuade poor countries to hang on to their natural assets, rain forests included. But the United States, which pledged \$435 million over five years, is \$200 million in arrears.

The task of saving the forests has thus been left to private conservation groups, whose resources are limited. The fact that one of these groups and one small country have joined to save 1.6 million hectares might shame Western governments into broader action.

—THE NEW YORK TIMES

Other Comment  
On the Ground in Kosovo

Unfortunately, it is unlikely that a few, or even many, bombs would be enough. Armed intervention, if it were to work, would also require specifying exactly what is wanted of the Serbs: an end to repression in Kosovo and the restoration of its autonomy, preferably with the handing over to Serbia of the Serbs' holy places.

It would be accompanied by a vow that the West would not support the rebels seeking to split Kosovo from Serbia, nor recognize a self-proclaimed "independent" Kosovo.

At the same time the West should do what it could to stabilize Macedonia (offer aid in return for decent treatment of the ethnic Albanians). But even this intervention would be too little if the interveners were not ready to get involved on the ground, as well as in the air, to keep the peace.

—The Economist (London).

## A Child's Only Right

In my view, children have only one right, to be protected—and, if you can call it a right, to be loved. I feel radically opposed to all those who demand more rights for the child. The notion of rights does not exist without duties as counterpart. I never hear people talk about duties. This is an absurd and deplorable imbalance.

—Elizabeth Badinter, commenting in *Quest-France* (Rennes).

## Japan Can Be the No. 1 Problem or the Solution

By Kenneth S. Courtis

TOKYO—Not since the 1930s has Japan been in such dangerous isolation. The refusal of the country's leadership to adopt the difficult measures required to resolve the financial weaknesses that cripple its economy is raising risk levels around the world.

As the capital base of Japanese banks shrivels, a vicious credit squeeze is starting to asphyxiate increasing portions of the domestic economy. This has the potential to affect the rest of the world because Japan controls a third of total global savings.

Japan's economy is 10 times larger than China's. Rather than the locomotive pulling the rest of Asia ahead, its titanic economy could pull the rest of an already deeply troubled region under.

This was background to the meeting this past weekend in Tokyo at which the Group of Seven leading industrial powers joined Asian countries in an effort to assist Japan's leadership to make the critical decisions needed to change course before the country careens into a financial iceberg. Despite

the international pressure, it is by no means certain that Tokyo will act.

The first priority is to recapitalize the financial system. The authorities must establish a set of balance sheet criteria for all banks and other financial institutions to meet. Those unable to do so must be closed, in a way which protects depositors and creditors but allows the government to take over the bad debts, sell them down, and write off what is left. That was how the United States resolved its savings and loan crisis.

The second priority is to increase domestic demand. The best, surest, quickest way to do that would be to make tax cuts permanent. The government should announce a reduction of personal tax rates totaling 15 percent over five years. At the same time, it should reduce the corporate tax rate to the average for the rest of the Group of Seven economies.

The third priority is a credible pro-

gram of deregulation to help stimulate the economy. It must start immediately, not sometime in the next decade. At present, consumer spending represents only 56 percent of Japan's GNP, against approximately 64 percent in Europe and 69 percent in the United States.

America overconsumes and saves far too little. That is one of the major flaws in its "Goldilocks" economy—it is financed with other people's money. Japan, by contrast, underconsumes, largely as a result of straitjacket regulation that stifles demand.

Some Japanese critics assert that such policies would be ruinous for an economy with a deficit that is already too large. But if Japan's assets are taken into account, its net debt level is far below the average for the rest of the Group of Seven.

Money is not Japan's problem. Freeing up that money requires political will. A determination to use it for other than pork barrel politics is the problem. The state has vast assets that could be privatized. They could then be run

much more efficiently and turned into profitable, job-generating enterprises. A second source of funds to pay for the needed reform policies would come through the new and sustainable economic expansion that the deregulation and tax cuts would create.

The stakes are very high. If Japan does not quickly chart a bold course, it is very unlikely that the yen, and thus the other economies of East Asia, can be stabilized. That would leave China with little option but to devalue in a desperate, if futile, move of self-protection. A competitive downward spiral in East Asian currencies could drag down financial markets around the world.

Japan has a choice. It can either be the No. 1 problem or the solution. This will be on the agenda when the U.S. and Chinese president meet this week.

The writer is strategist and chief economist for Asia-Pacific in the Tokyo office of the Deutsche Bank Group. He contributed this comment to the *International Herald Tribune*.

## Clinton in China: Doing Things Mostly Beijing's Way?

By Richard Halloran

BEIJING—In preparing to receive Bill Clinton, Chinese authorities have outmaneuvered the White House on several points. Will the Chinese similarly have the upper hand when the critical issues of Tiananmen, Taiwan and trade are discussed?

American, Chinese, Japanese and Taiwanese political observers suggest that the White House has acquiesced because no one in the administration's top level has had much experience in negotiating with China. Said a Chinese scholar: "The Clinton people are not aware of how the Chinese will manipulate this visit. They don't have a clue."

Sighed an American official with long experience in Asia: "Clinton's going to kowtow all over Beijing."

American business executives in Beijing, initially eager to take part in the visit, say they are backing away now because they fear that the president will agree to a deal that will come under critical scrutiny in Asia and the United States.

An assessment of traps awaiting Mr. Clinton in China can be pieced together from officials and private analysts.

The Chinese, for whom symbolism is all-important, persuaded Mr. Clinton to move his trip forward from November to June, the anniversary month of the Tiananmen episode in which the Chinese army killed uncounted hundreds of democratic activists in 1989.

The Chinese plan to have Mr. Clinton's appearance in Tiananmen Square help to bring symbolic closure to that sorry chapter in China's history.

At first the White House said he could not go before the November midterm elections. Then political heat got turned up by potential scandals, and White House officials arranged to get him out of Washington in March to Africa, in April to Latin America, in May to Europe, and now in June to China.

The Chinese demanded that

the president come directly from Washington to China and return home without stopping in Japan, which is supposedly the key ally of the United States in Asia. Most U.S. presidents have stopped in Tokyo on visits to Asia for the past 25 years.

Clinton officials said the president had planned to stop over in Tokyo on this trip. The Chinese insisted that because President Jiang went directly to America and back last year, Mr. Clinton should do the same.

The Chinese have induced Mr. Clinton to spend nine days in China, far more time than seasoned diplomats can remember a U.S. president taking for a visit before. President Jiang Zemin spent the same time in

America last fall, and Mr. Clinton's visit is intended to show that he considers Mr. Jiang to be his equal.

When Mr. Clinton visits Hong Kong, he will not have a separate meeting with Martin Lee, in deference to Chinese wishes. Mr. Lee and 19 other democrats recently won election to the Hong Kong legislature dominated by Beijing.

The Indian and Pakistani nuclear explosions, which have drawn worldwide criticism, have been added to the agenda, much to China's pleasure.

Pakistan is closely allied with Beijing, and Mr. Clinton risks being seen as lining up with autocratic China and Pakistan against democratic India.

Americans experienced in Asia express concern over how Mr. Clinton's visit will be seen in Japan and the rest of Asia. They fear that he will serve Beijing's crusade to revive the concept of the Middle Kingdom, in which China is Asia's dominant power.

Not that President Jiang will have a free hand with Mr. Clinton. The Chinese leader must quell a raging debate between leaders of the People's Liberation Army, who demand that China confront the United States, and the foreign and economic ministries, which see good relations with America to be in China's interest.

Mr. Jiang cannot afford to anger senior military officers, who hold the key to power in Beijing and take a hard line on

Taiwan. Military leaders have called Chinese diplomats "traitors" for what they consider a soft attitude toward the United States.

So Mr. Clinton can expect tough words about Taiwan. Chinese leaders have said repeatedly that the future of Taiwan is the most important core issue in relations between China and the United States.

Most Americans appear to agree that good relations with China are in the U.S. national interest. The question is whether Mr. Clinton is going about it in the right way.

The writer, a former *Correspondent in Asia* for The New York Times, contributed this comment to the *International Herald Tribune*.

## Taiwan Has Cause to Worry About a Trend

By Philip Bowring

TAIPEI—Taiwan is concerned about the consequences of Bill Clinton's visit to China. The worry is not so much about specifics as about the trend of U.S. policy revealed in the run-up to the visit.

Earlier there was real anxiety that Presidents Clinton and Jiang Zemin would sign a formal communiqué that would further downgrade Taiwan's status, committing Washington more closely to Beijing's views and perhaps jeopardizing future arms sales to Taiwan. Taiwan has now been assured that there will be no such communiqué.

The United States and China are now focused on trying to reach agreement on much more limited goals, primarily related to strategic weapons. But the momentum toward the dreaded communiqué may have been broken as much by politics in Washington as by consideration of where U.S. commitment to Taiwan stands in relation to other U.S. interests. The row about guidance systems and campaign contributions may have

been a lucky break, but that is hardly reassuring for Taiwan.

To improve relations with China is clearly a legitimate U.S. goal. One can argue that China has so far got the better of the bargain, on the trade front (\$40 billion surplus), and in trade-offs on issues including rocket technology sales. But the goal is far enough.

So, too, is the U.S. hope that improved ties will help avert a deterioration in cross-strait relations to 1996 crisis levels. Most in Taiwan, across the political spectrum, share this hope.

But the urge to please and to praise Beijing almost regardless of America's other Asian interests is troubling. It was seen on the Indian and Pakistani nuclear test issue.

It surfaced again last week with the U.S. decision to intervene in currency markets, mainly at Beijing's behest. The intervention, together with praise for China for maintaining a fixed exchange rate, was at

odds with free market doctrines preached by the U.S. Treasury elsewhere in Asia.

These are not isolated instances. They are part of a pattern, reflected in much writing by U.S. sinologists, that Beijing deserves "rewards" for its good behavior.

This would not matter much if policy change toward Taiwan were not one of the "rewards" that Beijing expects the United States to offer.

Beijing's assumptions about the absolute rightness of its position over Taiwan have led Washington itself to adopt an increasingly defensive stance. Taiwan has become a nuisance, a barrier to closer ties with the Chinese military, an obstacle to U.S. companies seeking to capture the mainland market.

The United States at times appears to have shifted from comfort with the status quo over Taiwan to supporting a solution of the problem, although that is clearly impossible in the foreseeable future if Taiwanese are to have a say in the matter.

The status quo works. It allows avoidance of decision on the dangerous and divisive issue of independence. All three mainstream political parties in Taiwan, whether they are fervently for independence or unification or simply want the status quo regardless of the name, agree on one thing: that the now democratic political entity in Taiwan has the right to determine its own future relations with Beijing.

The notion of sovereignty is not contrary to belief in "one China." There is no necessary conflict between U.S. diplomatic backing for "one China" and the democratic principle of support for the freedom of the Taiwanese to choose. But people in Taiwan note the

growing suggestions that Taiwan "accept the reality" of eventual reunification.

It is argued by outsiders that Taiwan is already part of Great China and must accept the political consequences. In fact, Taiwan's dependence on the mainland is exaggerated.

Although 23 percent of exports go there, roughly three-quarters of those are components for exports by Taiwanese-operated factories to third markets. The percentage of exports to the mainland has anyway been static for five years. Taiwan's economy is as closely integrated with California as with the mainland, and as a result is currently more stable than any other in the region.

Economic realities notwithstanding, there is a fear of U.S. political pressure on a matter which Taiwanese believe is between them and the mainland. The greater the importance that the United States attaches to relations with Beijing, the more they worry that Taiwan is being treated as a pawn.

This may be exaggerated. U.S. support for Taiwan was clear enough in 1996, and since then new U.S. military arrangements, notably with Japan, have underscored America's broader strategic commitments in the region. A superficially conciliatory attitude toward Beijing, especially on economic and military issues, might help contain nationalist pressures, especially from the military.

A balanced and sophisticated U.S. view of Beijing is required. Taipei in the past has been partly to blame for the Manichaean contest between fanatics and demagogues of China in Washington.

Maybe Taiwan just has to wait for the pendulum to swing back. But for the moment its worries are real.

—International Herald Tribune.

## Putting It Off Doesn't Help Britain

By Roy Denman

BRUSSELS—Tony Blair claimed last week at the end of the European Council meeting in Cardiff that it had marked a "transformation in our relations with Europe."

This was not a judgement universally accepted.

One view, expressed in this newspaper last Wednesday, is that Britain's six-month presidency of the European Union has been "jackhammer and inefficient."

The European Parliament has withheld its customary vote of thanks to the presiding nation.

At the start of the British presidency, Prime Minister Blair visited Washington.

Without consulting his EU partners, he endorsed every detail of U.S. policy toward the Gulf. He followed this at the Birmingham summit of the Group of Seven by presenting himself to his European colleagues as Bill Clinton's best friend.

In early May, at the Brussels summit to confirm the launch next year of the single currency, he was in the ironic position of presiding over the decision to exclude Britain from the most important advance in European integration since the signing of the Treaty of Rome 41 years ago.

The meeting was widely regarded as badly prepared and handled. Several European leaders were openly critical.

Gordon Brown, chancellor of the Exchequer, seemed convinced that he would be able to attend meetings of the finance ministers of the Euro 11.

Dominique Strauss-Kahn, the French finance minister,

agreed that "Mr Brown will be there." He added, with a smile, "Now and again for 10 minutes."

So it turned out. On June 4, at the first meeting of the group, Mr. Brown was soon asked to leave. Britain has excluded itself from what will rapidly become the economic governance of Europe.

At the Cardiff summit, where hard decisions were deferred, Mr. Blair concentrated on a populist version of the theme of institutional reform. There is certainly a case. A Europe built for six countries needs to be changed to meet the requirements of a future Europe of 25. But this should be decided by rational debate, not with Euro-bashing.

A second Blair approach was to blow hot on the euro, leaving the spin doctors to blow cold the next day.

The test of Britain's commitment to Europe will be the referendum, long promised, on the euro. It is misleading to think that time will ease this problem.

A British journalist, Allan Massie, recently pointed out that in the last 25 years Britain has become more internationalist but less European. The young have rediscovered enthusiasm for the cinema, but it is American movies that they watch and talk about, not the French and Italian films that used to be all the rage.

One of the main mass circulation newspapers used to have correspondents all over

Europe, but now has virtually none. Even the broadsheets scarcely mention Europe except when neo-Nazi riot or French truck drivers strike.

One British interest in Europe, of a sort, certainly remains. Every major soccer match on the Continent against a British team brings an invasion of football hooligans wrapped in Union Jacks, beseeched lager louts rioting through the night, a phenomenon that is not equalled elsewhere in Europe.

There are already many in the Euro-11 who doubt the advantage of burdening themselves by adding to their number a country so strictly anti-European, which is opposed to any further political integration and seems obsessed by cosying up to the United States.

Exchange rate speculation will make an isolated sterling volatile, but Britain's partners will insist on a period of exchange rate stability before entry. This will arouse a storm of protest in London. Those who oppose British entry will have a powerful weapon.

The longer Mr. Blair delays the referendum, the more hazardous Britain's future will be. His delay has to do with fear of losing the support of Rupert Murdoch's press and thus putting at risk victory in the next election. The British people deserve better than that.

The writer is a former representative of the European Commission in Washington. He contributed this comment to the *Herald Tribune*.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

## 1898: Herald 'Enemy'

MADRID—In the absence of war news the papers here are trying to excite public opinion against the Herald. It is possible that the Government may expel all American correspondents. The "Heraldo," one of the most widely circulated evening papers, has a leading article warning its readers against the Herald. "It is generally more trustworthy than other Yankee dailies," it says. "Nevertheless, the New York Herald is one of our enemies. We must always bear this in mind in reading its news. New York and Washington are big manufacturing cities of lies."

## 1923: World Court

LONDON—Many important supporters of the League of Nations here refused to comment today (June 22) on the speech of President Harding at St. Louis last night, in which he

advocated a World Court divorced from the League of Nations. Dr. Nicholas Murray Butler, however, declared that the building up of a system of world law is necessary to bring about the cooperation of all nations.

## 1948: Woman Wins

PORTLAND—A woman has been chosen by the Republican party in Maine as one of its two candidates for the Senate. Early this morning (June 22), Representative Margaret Chase Smith was leading by almost two to one in the returns from the party's primary elections, and Governor Horace Fairbanks, her rival for the Republican nomination, conceded that he had been defeated. If Mrs. Smith is elected, she will be the second woman to be elected to the Senate of the United States.

## Herald Tribune

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OPINION/LETTERS

Fitting Memorial to Goldwater: Direct Debate

By Martin Schram

WASHINGTON — True to the ultimate rite of passage, Americans paused to pay tribute to the passing of Barry Goldwater with several days of heartfelt tributes and reminiscences. Then we plunged right back into the here and now, the trials and trivialities of today.

But conservatives, liberals and middle-roadsers can create a unique living memorial to Mr. Goldwater by which present and future generations can celebrate this uncommonly honest and direct man.

We can create a new, permanent institution of politics — a form of presidential election debates that could bring more civility to our campaigns. And we could designate it as an enduring memorial to the two politicians who actually intended to use it in a presidential campaign. Here's to the Kennedy-Goldwater Memorial Presidential Debates.

The idea for this debate series was born in a little-remembered agreement between President John F. Kennedy and Senator Goldwater. The two were ideological foes who had developed a great professional respect and personal fondness for one another since going to the Senate together in 1953.

When Mr. Kennedy was in the White House, the two men figured they would be running against each other for president in 1964. It was a prospect each relished, politically

and personally. And so they agreed that they would campaign together, at least on occasion, traveling from city to city, perhaps on the same airplane or train, and at each stop would debate the issues.

Just the two of them on a stage. No media moderators or interlocutors

*"It seems a pipe dream in looking at some of today's negative campaigning."*

artificially setting agendas, with their choices of questions, becoming players in the process they are supposed to be merely chronicling. Instead, one candidate would begin with a topic of his choosing, the other would respond, and the debate, or discussion, would be under way.

But of course that was the campaign that never happened. And Mr. Goldwater's relationship with Mr. Kennedy's successor, Lyndon B. Johnson, was very different. It was largely characterized by personal dislike and professional disrespect. We did not learn of the Kennedy-Goldwater campaign agreement

until years later, when Mr. Goldwater recounted it on several occasions.

"When Jack Kennedy died, I lost all interest in running," Mr. Goldwater said in an interview in the late 1970s with a political columnist, Steve Neal, now with the Chicago Sun-Times. "The country wasn't ready for three presidents in three and a half years. And I knew Johnson would not run an honest campaign like Kennedy. Kennedy and I used to talk about running against each other. We came to a tentative agreement that we would have revived the practice of the two candidates traveling together around the country and appearing on the same platform."

A decade later, Mr. Goldwater wrote about the agreement in his autobiography, published in 1988: "Kennedy and I informally agreed — it seems a pipe dream in looking at some of today's negative campaigning — that we would ride the same plane or train to several stops and debate face to face on the same platform."

He elaborated in an interview that year with William Prochnau of The Washington Post: "I would have enjoyed it very much. I even talked to him one day about using the same airplane, going to the same places. He'd get out in one place and start to debate and I'd rebut him. Then we'd turn it around in the next place. ... He liked the idea."

This format is a grand idea that has, in fact, been tried and tested with great success. "If President Kennedy and Senator Goldwater had been able to campaign in that format, it would have closely resembled the Lincoln-Douglas debates," said David Zarefsky, dean of the school of speech at Northwestern University and a leading authority on the 1858 debates between the two candidates for senator from Illinois. "As in Lincoln-Douglas, it would have been two candidates debating the issues, alternating in order at each debate, with no panel of journalists."

"If that format were followed today," he added, "I think it would be most beneficial, for the candidates and the public."

Congress could encourage such a development by enacting a bipartisan resolution urging presidential candidates to take part in at least one such weeklong series of cross-country debates. Better yet would be a weeklong series of joint appearances in September and another in October.

The Kennedy-Goldwater Memorial Debates might restore honest discourse and clarity to our election contests, vital ingredients that are largely missing in the video ad wars that dominate campaigns at all levels.

*The writer, a Washington political columnist, contributed this comment to The Washington Post.*

Searching for Cancers' Causes? Try Genetics and How You Live

By Brian E. Henderson and Susan Preston-Martin

LOS ANGELES — In the last 25 years, ever since President Richard Nixon declared a war on cancer, one of the primary assumptions investigated by researchers has been that cancer is "caused" by some external exposure to some "unnatural" element.

It was a theory supported, in an indirect way, by overwhelming scientific evidence that smoking leads to lung cancer or sun exposure leads to melanoma.

It is a perception that continues to live, in the form of beliefs that "leading scientists" regard environmental toxins as a significant cause of rising cancer rates in the developed world.

Yet despite an enormous number of studies conducted over the past three decades examining many possible putative relationships between environmental factors and cancer,

increasing beyond what might be expected from changes in diagnostic technology like magnetic resonance imaging.

Indeed, even if one assumes that childhood brain tumors could somehow be related to foods containing nitrates, the amount of nitrates in foods has been steadily decreasing during the same period when childhood brain tumors were increasing.

Similarly, if one assumes increased breast cancer is due to pesticides, it would follow that the agricultural heartland would boast the highest rates. Yet they are among the lowest, while urban areas where educated women delay their childbearing are among the highest, suggesting sociocultural changes that have affected women's lifetime hormone exposure are responsible.

Meanwhile, for the first time since Mr. Nixon's declaration, we are learning enough about cancer to make intelligent decisions in about cancer treatment. Mortality rates, even for breast cancer, are declining. We have even reached a point of designing effective prevention, such as treating women at high risk for breast cancer with tamoxifen.

But contrary to the initial assumptions of an external cause, what most researchers are finding — and what is the foundation for the most dazzling advances in cancer — is that the majority of cancers arise from a complex set of combined factors: a genetic predisposition, internal chemistry such as hormone levels, which are often genetically predetermined, and to a certain extent lifestyle decisions that affect those predispositions.

Unfortunately, when authorities push for more study of environmental risks, the perception of this environmental problem distracts the public from the real issues in cancer such as smoking, dietary habits that are not healthy, like the consumption of excessive fat, and weight gain.

Studies have shown that the U.S. population's increasing obesity is more of a cancer risk than any environmental exposure.

Studies also have shown that women who delay childbearing until after 30, who have early menarche and fewer pregnancies, who get limited exercise, particularly in their teens and 20s, and who take estrogen replacement therapies are more at risk for breast cancer because their lifetime exposure to estrogen is greater.

Instead of throwing out a pesticide wild card, we need rational public education on the real issues in cancer.

It is a harder message, however, to say that the cause of cancer is not from an external exposure but may be from within you, your own genetic susceptibility combined with things you do like diet and exercise.

*The writers are professors of preventive medicine at the University of Southern California School of Medicine. They contributed this comment to the Los Angeles Times.*

MEANWHILE

few correlations have been found. From electromagnetic fields and pesticides to microwave and smog, credible studies have shown little evidence of links between environment and cancer risk.

Millions of dollars poured into researching environmental exposures in groups at highest risk — farmers and pesticide exposure, for example, or residents who live in proximity to chemical stockpiles — have found few direct links between exposures and cancer.

For example, a major study in the New England Journal of Medicine last fall by researchers from Harvard and Mount Sinai Hospital in New York found no evidence of an increased breast cancer risk among women with high levels of organochlorines from pesticides and industrial chemicals such as DDT and PCB in their blood, the chemicals most likely to pose a risk.

Likewise, studies investigating a possible link between smog and lung cancer have turned up no evidence — although they established a link between smog and asthma.

In addition, international studies of developing countries, where exposures to environmental toxins are in many cases much greater than in developed countries, find no corresponding increase in cancer rates.

Confusing the issue is the fact that even though cancer incidence overall is declining, some cancers are indeed on the rise, seemingly correlated to changing factors in the environment.

While stomach cancer, which was the No. 1 cancer in the United States 40 years ago, is now down to seventh place, the rates for endogenous hormone-related cancers like breast and prostate cancer climb.

Explaining the reason that some cancers are increasing is complicated. For example, with childhood brain tumors, measuring the absolute incidence of a rare tumor is difficult enough, and there are data suggesting that the rates of brain tumors at older ages are not

Collect Poor Countries' Debt and Return the Money in Aid

By Hans Von Sponeck

GENEVA — At its most recent annual meeting in Geneva, in March and April, the United Nations Commission on Human Rights decided to appoint a special rapporteur to investigate the effects of foreign debt burdens on development in low-income countries.

While this decision did not make the headlines, it nevertheless has considerable legal and political significance because it implies that the current debt levels of many countries may constitute a violation of the inalienable right of all people to development.

The total external debt of developing countries is close to \$2 trillion, \$250 billion of which is owed by the 41 "least developed countries." Such nations are considered by the World Bank to be in an untenable position.

The debt crisis inherited from the 1980s continues to have serious consequences on the populations of developing countries, particularly in sub-Saharan Africa and South

Asia. But it also affects industrialized countries, which are missing out on opportunities for growth at a time when markets are rapidly globalizing.

Highly indebted poor countries are unable to mobilize the resources they need to break the cycle of poverty, develop and integrate into the world economy. In 1995, Mozambique spent 33 percent of its budget on servicing debt, compared with 3.3 percent on health and 7.9 percent on education. Niger's external debt amounts to nearly \$1.6 billion and, every year, two-thirds of its domestic resources are spent on debt service.

Out of 174 countries in the Human Development Index calculated by the United Nations Development Program, Mozambique is ranked 166 and Niger 173. Life expectancy in these two countries is under 47 years, compared with 80 years in Canada and France, the two highest-ranked countries.

The UN secretary-general, Kofi Annan, has described debt as "a millstone around the neck of Africa" that holds back development and economic growth.

The problem of debt must not be allowed to persist. In the current context of globalization, it must be solved with the commitment of the entire international community.

The International Monetary Fund and the World Bank play a crucial role in the treatment of foreign debt. For a number of years, these two institutions have received more money than they have lent to countries severely burdened by debt, and they are usually the first creditors to be repaid. Surely this is a dysfunction in the economic metabolism.

Debts must be rescheduled so that poor countries are left not just with the means for subsistence, but with sufficient revenue to return to growth. No court in an industrialized country would

exact from an individual debt or installments so large that he or she could no longer enjoy a decent standard of living. It is disgraceful that the most privileged countries could deny the populations of poor countries a right as fundamental as social development. It is imperative that the terms of repayment be adjusted.

In many cases, the overall amount of debt should be reduced or even eliminated. Creditor countries could draw inspiration from the criteria applied by the London Agreement of 1953 to Germany's accumulated debt from the two world wars. Germany's economic survival was put ahead of the full repayment of its debt, enabling the nation to take part in its own development or, in this case, its own reconstruction.

The treaty was intended to "neither disclose the German economy through undesirable effects on the internal financial situation, nor unduly drain existing potential or foreign exchange resources, and it should not add appreciably to the financial burden." Surely this is a model that could be emulated today.

The partial or total cancellation of debt must also be detached from all political and economic conditions. Instead, debtor countries should undertake to carry out reforms guaranteeing transparency and accountability in the management and administration of their economies.

Opponents of partial or total debt forgiveness argue that it would amount to rewarding poor management practices. A solution that would favor good management, while restoring the capacities and dignity of highly indebted poor countries, would be to require debtor nations to repay their remaining debt and the interest on it, on the condition that creditor

countries use the payments to finance human development policies in the debtor nations.

Lending governments that claim they are unable to increase their official development assistance, which has fallen to its lowest level in 25 years, could then include these reinvested repayments as part of their official aid budget. In doing so, they could come closer to achieving the UN target of 0.7 percent of gross national product, a goal that has been recognized for more than 20 years as a minimum.

*The writer is director of the United Nations Development Program's regional bureau for Europe. He contributed this comment to the International Herald Tribune.*



LETTERS TO THE EDITOR

A Bigger Jerusalem

Regarding "Israel Moves Defiantly to Expand Jerusalem," (June 22):

The decision to expand the perimeter of Jerusalem illustrates a lack of pragmatism by the Israeli cabinet. The 1967 war signified that the international community will not acknowledge land annexed by means of force or war. Consequently, the majority of the members of the United Nations have located their embassies in Tel Aviv rather than in Jerusalem, in effect voicing disapproval for Israel's lack of sensitivity.

Although the U.S. Congress voted to move the American Embassy to Jerusalem, President Bill Clinton has criticized the decision, acknowledging that the issue of Jerusalem should go untouched until the final status negotiations determine its exact standing in both an international and regional context.

Would it not be wise of Israel to refrain from provocative decisions, keeping in mind that such decisions will almost always have a direct bearing on it and the Israeli people?

Since Likud came to power, Benjamin Netanyahu and his cabinet have managed to tarnish any credence Israel has had by virtue of its Oslo

agreement with Palestinians and the peace treaty with Jordan.

At such a tense juncture in the Middle East process, Israel should be contemplating what the course for lunch will be rather than be thinking of dinner.

MASSOUD DERHALLY, Paris.

Israel's Security

Regarding "At 50, Nation Looks Confidently, Yet Warily, to Its Future," Special Reports, April 22:

Glenn Frankel asks of Israel: "Is it a vehicle for Jews to enter the community of nations as a normal people with allies, economic ties and diplomatic relations? Or is it a fortress with high walls and

bristling armaments designed to protect Jews by sealing them off from a hostile world?"

Well, is it located in the Mideast? Or somewhere near Luxembourg?

STEVE AMOUR, Kibbutz HaOn, Israel.

Two Faces of China

President Bill Clinton should go to China, as there is no doubt the country will be a major player in the coming century. It is, however, distressing that the problem of political freedom and free discussion in China may be worsened by his doing so.

On Sunday, China Central Television broadcast a discussion of Mr. Clinton's visit by Beijing bureau chiefs for

CNN, NPR and Time magazine.

The program was entirely in English, thus ensuring an image of open discussion to Western viewers. Although translations from English into Chinese languages are quite common, this was not done — a preventive method, no doubt, should it verge onto sensitive topics.

It is this rather naive participation by the U.S. media in China's two-faced policy — presenting one to the West, the other to its own citizens — that Mr. Clinton needs to overcome in his visit.

Perhaps a U.S.-produced broadcast of his visit in Chinese languages on China television is in order.

JOSEPH URINECK, Boston.

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NEW QUOJEM	Hardware - Tools - Industrial Supplies - Decoration - Home Automation	20 - 23 SEPTEMBER 98
INDIGO	International Exhibition of Creation and Design for Fashion and Decoration	1 - 4 OCTOBER 98
MOD'AMONT	Fashion Supplies and Trimming Trade Fair	1 - 4 OCTOBER 98
PREMIERE VISION - LE SALON	The World's Premier Fabric Show®	1 - 4 OCTOBER 98
SIAL	International Food Products Exhibition	18 - 22 OCTOBER 98
EXPOPROTECTION	International Safety and Security Exhibition	3 - 6 NOVEMBER 98
FEU 98	International Fire Fighting and Rescue Exhibition	3 - 6 NOVEMBER 98
EMBALLAGE	World Packaging Exhibition	16 - 20 NOVEMBER 98
INTERSELECTION	The International Exhibition for Volume Retail Fashion	17 - 20 NOVEMBER 98
NOUVEAU REGARD	The Exhibition for Fabric Quick Response	18 - 20 NOVEMBER 98
MIDEST	The International Subcontracting Exhibition	30 NOVEMBER - 4 DECEMBER 98
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## INTERNATIONAL

## Time Magazine to Investigate CNN Report on Poison Gas in Laos

By Lawrie Mifflin  
New York Times Service

NEW YORK — Doubts raised about the accuracy of a recent article that was published in Time magazine but was written by Cable News Network journalists are serious enough that Time's editors have ordered a further investigation.

The article asserted that the U.S. military dropped lethal nerve gas on a Laotian village in 1970, during the Vietnam War, as part of a secret mission to kill American defectors.

The issue of Time that appeared Monday carried a letter to readers from the managing editor, Walter Isaacson, telling them that the magazine was now doing its own reporting on the matter and would correct any mistakes or clarify any disputes in future issues.

"I trust CNN's journalistic standards," Mr. Isaacson said in an interview. "They did a story for us that was based on a lot of evidence. If some of that evidence is now suspect, that is something we plan to report to our readers, once we get to the bottom of it."

The article appeared in Time the morning after the television version of the report

was broadcast on the debut edition of a new CNN program called "Newsstand: CNN and Time," an unusual collaboration between the two news organizations, which are both owned by Time Warner Inc.

Within hours of the June 7 broadcast, CNN's report was criticized as false; the producers were accused of ignoring or suppressing evidence that undercut their poison-gas thesis, and Time's rival, Newsweek, had begun work on an article that, when published the next week, would be an attempt to rebut much of the report.

Ten days after the broadcast, CNN's own military analyst, a retired major general, resigned in protest, calling the report false and noting he was not consulted during its preparation.

CNN's own producers created some of the suspicion, by choosing not to reveal a noteworthy fact about one of their most important sources.

The accusation that sarin, a nerve gas banned by international law, was used during Operation Tailwind, code-named for the secret forays in Laos, is made more vigorously in the CNN report by two soldiers who were there for one operation in 1970, Michael Hagen and Robert Van Buskirk. But Van Buskirk told April Oliv-

er, CNN's main producer on this report, that he had repressed all memory of that day's events for 24 years, from 1974, when he had a religious awakening, until Ms. Oliver began questioning him.

Yet Ms. Oliver, who began work on the report last September, and Jack Smith, a veteran CNN producer who joined her on the project in February, decided to exclude mention of Mr. Van Buskirk's recovered-memory revelation from their report. Nor did it appear in the Time magazine article, co-authored by Ms. Oliver and Peter Arnett, the CNN correspondent on the television report.

John Stacks, an executive editor at Time who works on the Newsstand collaboration, said he had known about Mr. Van Buskirk's repressed memories of the foray, which included an incident in the Laotian village where Mr. Van Buskirk said he chased a blond American defector and presumably killed him by throwing a grenade into a hole into which the man had fled.

"April, with Jack's supervision, wrote that piece so it was her call," Mr. Stacks said.

Mr. Smith of CNN said: "My reason was I felt so strongly that he was telling us what really happened in that camp, and one

of his commando mates, Hagen, had also told us he remembers seeing that blond fellow coming toward Van Buskirk."

Mr. Stacks said he had read CNN's background briefing book, which contained transcripts of interviews, memos about off-camera interviews, and scientific research about nerve gas, and was confident of the report's accuracy. He also noted that Mr. Van Buskirk was not CNN's only source.

Two other soldiers from Operation Tailwind who appeared in the CNN report, Jim Cahy and Jay Graves, said they believed that nerve gas had been dropped. The retired admiral who was then chairman of the Joint Chiefs of Staff, Thomas Moorer, now 86 years old, also appears on camera but his comments are ambiguous; Mr. Arnett's narration says that Admiral Moorer admitted off-camera that nerve gas had been used.

Beyond that, the report cites "senior American military officials" as confirming that nerve gas was used in Operation Tailwind, and Mr. Arnett, in an interview broadcast Monday on National Public Radio's "On The Media," said that CNN "can prove documentarily that it was."

Captain Eugene McCauley, the Tailwind commander that day, appears in the

CNN report but has since complained that general comments were used out of context to buttress the specific nerve-gas allegation. But CNN did use his comment, "I never, ever considered the use of lethal gas, not on any of my operations."

On the next week's edition of "Newsstand," June 14, CNN gave an update, noting that the Pentagon had ordered an investigation but had also said that the gases used in Operation Tailwind were most likely a tear gas and one used to induce vomiting. Three more soldiers from the Tailwind operation also appeared June 14, describing a gas that was "more potent than tear gas" and was called "knockout gas."

Major General Perry Smith, retired, the military analyst who resigned from CNN after seven years as a consultant, said he had contacted the soldiers interviewed for the "Newsstand" report, and several had told him that Mr. Oliver "planted" the idea that sarin had been the gas used that day in Laos, even telling one man that his commanders had lied when they told him it was tear gas.

Mr. Smith, the co-producer, speaking for himself and Ms. Oliver, flatly denied that. "We did not lead people," he said.

## Russian Effort In Kosovo Proves Futile

The Associated Press

PRISTINA, Yugoslavia — Russia pressed in vain for an end to the violence in Kosovo on Monday, but heavy fighting broke out for control of two key roads in the secessionist province, where the Yugoslav Army seems to be playing an increasing role.

Six armed ethnic Albanian militants, striking into a Serbian stronghold, kidnapped three Serbs on Monday in Kosovo Polje, just outside Pristina, Serbian sources said.

The Russian foreign minister, Yevgeny Primakov, appealed in Moscow to fellow members of the six-nation Contact Group to give Serbia more time to pull back its 45,000 to 50,000 security forces in Kosovo and to resume negotiations with ethnic Albanians, who outnumber Serbs in the province by 9 to 1.

A Primakov deputy, Nikolai Afanasyevsky, met in Pristina on Monday with a senior Serbian official and then with the leader of the Kosovo Albanians, Ibrahim Rugova, saying he wanted to carry out "as soon as possible" the agreement reached in Moscow last week.



Veljko Odalovic, left, the chief Serbian administrator in Kosovo, greeting Nikolai Afanasyevsky before their talks Monday in Pristina.

President Slobodan Milosevic of Yugoslavia pledged he would resume talks with Mr. Rugova, but refused to pull back his forces, saying they were battling terrorists.

The Albanians say they cannot negotiate while soldiers and policemen loyal to Mr. Milosevic crack down on the militant separatists of the Kosovo Liberation Army, in the process killing civilians and driving tens of thousands

of Albanians from their homes. Mr. Rugova's deputy, Fehmi Agani, stressed after the meeting with Mr. Afanasyevsky that the pullback was essential to any talks.

Mr. Afanasyevsky said that both sides must act. "Measures should be taken to decrease and withdraw security forces and comply with the commitment not to use force against civilians," he said. "All terrorist activities should cease."

## BOOKS

## MY HEART LAID BARE

By Joyce Carol Oates. 531 pages. \$26.95. A William Abrahams Book/Dutton.

Reviewed by Michiko Kakutani

IN "My Heart Laid Bare," her ponderous new novel, Joyce Carol Oates returns to the landscape of genre fiction she explored with uneven success in such earlier books as "Bellevue," "A Bloodsmoor Romance" and "Mysteries of Winterthorn." This time, we are given an old-fashioned family saga, dressed up with the usual Gothic curlicues, the usual heavy-breathing prose and some added "ragtime" -esque pretensions.

The Licht family, we quickly learn, is a clan of con men indoctrinated in their patriarch's Nietzschean credo. "All men are our enemies, as they are strangers," Abraham Licht tells his children. Life is a Darwinian game, in his view, in which the rules are very simple: "No success without another's failure. No failure without another's success. To feel another's pain is defeat. To turn the other cheek, a betrayal."

Abraham's greedy scheming drives the plot of "My Heart Laid Bare," creating a narrative that's basically a succession of con jobs within con jobs, scams piled upon scams, from fixed horse races and daring holdups to sophisticated investment setups and hokey medical treatments: a Mameian smorgasbord of confidence schemes, served up in turn-of-the-century dress and garnished with some typical Oatesian gore, including several murders and the grisly mutilation of a corpse.

The cynical me-firstism of the Lichts, however, is not merely a narrative device. It's also supposed to be a metaphor for untrammeled capitalism, greed, for American selfishness and ambition. Abraham's refusal to think about the consequences of his actions mirrors Americans' penchant for living in the moment, just as his faith in the "cash value" of an idea symbolizes Americans' entrepreneurial zeal.

Even as she's pontificating in exclamation, italic-heavy prose, Oates is busy turning her characters' lives into a historical echo chamber. The Lichts are constantly running into famous historical figures (Abraham, for one, gets a job with the Harding administration and socializes with the likes of the Astors) while playing out their domestic dramas against the backdrop of huge public events like World War I, Prohibition and the stock market crash of 1929.

Oates's efforts to make the Licht family representative of the 20th century, however, severely test the limits of plausibility. Abraham's con jobs take him from Wall Street to Washington and have him dabbling in everything from psychiatry and fertility treatments to advertising and the federal surveillance of subversives. One of his sons goes west to test himself — and an unsuspecting mark — on a Teddy Roosevelt-like adventure in the wilderness. Another reinvents himself as a born-again evangelist in the South, and a third becomes a musical prodigy who plays Carnegie

Hall. One daughter becomes a wealthy matron, traveling in the snootiest social circles, while her younger sister becomes a feminist crusader with the American Birth Control League.

As if this were not enough, Oates has Abraham adopt a black child, who grows up to become an Afrocentric revolutionary, preaching a doctrine of separatism and hate in the most clichéd and racially stereotyped of terms.

For that matter, every character in "My Heart Laid Bare" comes across as a stereotype or cliché: Abraham as a maniacal patriarch, his son Harwood as a violent bully, his daughter Millie as a manipulative flirt, and so on and so on and so on.

In earlier novels like "You Must Remember This" and "Because It Is Bitter, and Because It Is My Heart," Oates

used her mastery of social and psychological detail to flesh out her characters' lives and situate them in a richly imagined matrix of relationships; as a result, their actions, however melodramatic, felt believable and authentic. Here, in contrast, she has substituted incident and intrigue for emotional insight, sweeping historical vistas for a carefully observed social context, and her characters' actions, consequently, feel arbitrary and contrived.

Although Oates speaks repeatedly in this book — as she so often does — of destiny and fate, the trajectory of her characters' lives feels less like the inevitable working out of familial and societal imperatives than the poorly thought-out manipulations of an author bored by her own pallid creations.

New York Times Service

## CHESS

By Robert Byrne

ALEXEI Shirov, a 25-year-old Spanish (formerly Latvian) grandmaster, upset Vladimir Kramnik, a Russian grandmaster, in the World Chess Council Candidates Match, held recently in Cazorla (Jaen), Spain.

In this 10-game series against Kramnik, Shirov won two games and made seven draws for a 5 1/2-3 1/2 score.

In the deciding Game 9, Shirov demolished Kramnik's intended attack by a brilliant counter featuring a rook sacrifice. Kramnik's 3 f3 was probably played for surprise value; he had no luck in the earlier games with orthodox methods against Shirov's Gruenfeld Defense and hoped to catch him off guard with this old aggressive Alekhine move that never earned a solid reputation.

After 5...Nb6, the black center is knocked out, yet the f3 pawn makes it difficult for White to develop his minor pieces effectively.

On 7...O-O, White can go for broke with 8 f4?, yet 8...Nc6 9 d5 Na5 10 Bd4 Bg4! 11 Qd3 e5! 12 f6 Na4 13 Qg3 h5! 14 Nf3 Qe7 15 O-O-O e5! 16 d6 Qe6 17 Bc5 Qc6 leads to strong counterchances for Black.

After 8 Qd2, it is usual for Black to

play 8...Nc6, but Shirov's 8...e5? 9 d5 c6 appropriately counterattacked the white center. It was difficult for Kramnik because an attempt to simplify by 10 O-O c5 11 Nd5 Nd5 12 Qd5 Qf6 would leave Shirov with the better opportunity for a mating attack. All the same, 10 h4, to mean anything, demanded 11 g4! and Kramnik evidently did not believe in it.

After 19...e4!?, Kramnik might have tried 20 d7 immediately, but 20...e4? 21 d8 Qe2 22 Qc3 Nd5 23 Rd5 Qc6 24 Rd8 Rd8 25 Bb8 Qe2! 26 Qe8 Bf8 27 g7 Kg7 28 Ba5 Qb1 29 Kf2 Qa2 30 Kg3 Bb6 31 Nf4 Qa5 would be too strong for Black.

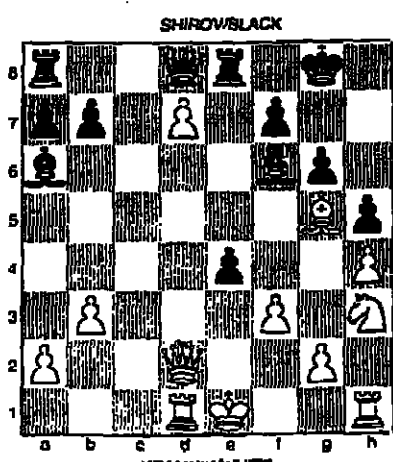
The interpolation of 20 Nf6 Bf6 did not enhance 21 d7 because Shirov produced the blockbuster 21...Qb6! After 22 deQ Re8 Kramnik could not defend by 23 Be3 because 23...Bh4 24 Nf2 e7 25 Rh4 Re3 forces mate. So he played 23 Qe3, but after 23...Bg5 24 Qb6 Bh4 25 Kd2 (or 25 Qf2 e7 26 Kd2 Bf2 27 Nf2 Re2) ab, Shirov had a bishop plus two pawns for a rook.

Kramnik lost a pawn with 34 Re1 Re1 35 Ne1 Bb4 36 Re2 Be1 37 Re1 Re1, but in any case he had little chance for defense.

Facing 48...Kd4, 49 Kc4 and 50 Kb4, winning both of the queenside pawns, Kramnik gave up.

## GRUENFELD DEFENSE

White	Black	White	Black
Kramnik	Shirov	Kramnik	Shirov
1 d4	Nf6	25 Re	Re4
2 c4	g5	26 Kc2	Re4
3 f3	g5	27 Rf2	Re7
4 cd	Nd5	28 Rg1	Kg7
5 e4	Nb6	29 Nf2	Rf4
6 Nc3	Bg7	30 Nf3	Re4
7 Bg2	0-0	31 Bg2	Bf6
8 Qd2	e5	32 Bg1	Bf6
9 d5	e5	33 e4	Re1
10 h4	h5	34 Re1	Re1
11 Bc2	cd	35 Re2	Bf4
12 e4	Nb6?	36 Bg2	Bg2
13 d6	Nf6	37 Kd2	Bf4
14 Bg5	Re8	38 Kd2	Bf4
15 Rd1	Re6	39 Kd2	Bf4
16 Nf3	Nc4	40 Bf4	Bf4
17 Bc4	Bc4	41 Re2	Bf4
18 Bb5	Bc4	42 Bf4	Bf4
19 Nd5	e4	43 Kd2	Bf4
20 Nf6	Bf6	44 Rf2	Bf4
21 d7	Qe6	45 Kg2	Bf4
22 deQ	Re8	46 Kg2	Bf4
23 Qc3	Bg5	47 Nf4	Kd5
24 Qb6	Bf4	48	and
25 Kd2	ab		Resigns



Position after 21 d7

Serbs Move Up Their Armor  
Kosovo Rebels, Dug In, Vow Fight to the DeathBy Chris Hedges  
New York Times Service

JUNIK, Yugoslavia — A half-dozen gaunt, unshaven, villagers, some clutching old hunting rifles, peered nervously around the side of a stone barn.

On the road in front of the barn, they had dumped two spiked metal tracks from an old haying machine on the cobblestones to block traffic. Another group of men, most in motley camouflage uniforms, darted behind a barricade a few meters away. They peered out from behind the pile of old planks, tires, bricks and sacks filled with dirt.

"Snipers!" hissed Shaiquer Maloku, 31, one of the villagers, warning a visitor. "Move out of the road! A man was shot and killed here two days ago by the Serbs. Come into the barn."

The rebels here in the southern Serbian province of Kosovo, fighting to carve an independent state from one of the two republics that remain in Yugoslavia, have dug trenches around villages they control. Joined by the men who remain in the villages, they have set up sandbagged roadblocks, where they politely check the documents of those who enter their "liberated zones," and they talk heroically of fighting to the death.

Many have been lulled into believing that the curtain will never close on this heady period of their revolt. Rebel leaders naively insist that they can muster enough force with their light weaponry and poorly trained volunteers to defend towns and positions against a mechanized assault by Yugoslav troops.

On the hills and roads surrounding rebel-held areas, now as much as 40 percent of the province, the government of Yugoslavia, of which Serbia is one of two remaining republics, is positioning hulking tanks. It also has sent armored personnel carriers and spider webs of green camouflage netting that mask huge howitzers as well as mortar and sniper positions.

The government troops are slowly strangling the rebel strongholds, having seized the main road between Pec and Djakovica from the insurgents over the last few days. The shattered houses along the road, many with gaping holes, speak of fierce combat.

Serbia, for its part, at times seems as oblivious as the rebels to the reality of its position, apparently ignoring the likely long-range impact of the fury provoked by its counterinsurgency sweeps, which have left more than 300 people dead and caused 80,000 people to be displaced from their homes since March.

Since these assaults began, the ethnic Albanians who make up 90 percent of the province's 2 million people have largely abandoned a tactic of peaceful resistance in their drive for independence.

Armed peasant farmers and other residents, joined by hundreds of rebels who have picked up weapons and uniforms over the border in northern Albania, are facing 50,000 government soldiers and special police.

In Junik, about 65 kilometers (40 miles) southwest of Pristina, the provincial capital, the men in the camouflage gear wear baseball caps with red patches that show the black double-headed Albanian eagle and the initials UCK, the Albanian acronym for the rebel Kosovo Liberation Army.

The long, black snout of a captured 20mm anti-aircraft canon sticks out from the little fort toward the deserted road, strewn with rocks and branches, that meanders out of the village.

Three kilometers north, on the main road that has been recaptured, a 26-year-old Ser-

bian police officer said: "The terrorists held this road for 15 days. We have taken it back."

"Anything to the left or the right of the road belongs to the terrorists," the officer added. "This is a war. We are doing what any police officer anywhere in the world would do when being attacked by armed groups — trying to stamp them out and restore order."

The throaty rattle of a heavy machine gun mounted on a nearby hill interrupted the conversation.

"They shot at us," said the officer, nonplussed. "We are answering back."

The United States, in an effort to stay the hand of President Slobodan Milosevic of Yugoslavia, has threatened NATO intervention unless the soldiers are withdrawn from

It increasingly appears that Mr. Milosevic is hiding his time until he sees an opportune moment to strike.

the province and negotiations with a moderate ethnic Albanian leader, Ibrahim Rugova, are resumed. It increasingly appears, however, that Mr. Milosevic is hiding his time until he sees an opportune moment to strike to wipe out the rebellion. That moment may not be far away, given the bickering within the North Atlantic Treaty Organization over what to do in Kosovo, with some members of the alliance, but not the United States, saying that intervention requires United Nations authorization.

But a push to wipe out the rebel zones would be likely to force the insurgents to move into the hills, to build smaller, more fluid, bands and to widen the scope of the war — perhaps bringing it into Pristina.

It would also create scores of new martyrs, the fuse that ignited the current rebellion.

It was the earlier crackdown on the ethnic Albanian separatists that led hundreds, and perhaps thousands, of ethnic Albanians who had left Kosovo seeking new opportunities to quit their jobs in Germany and Switzerland

"None of us want a war. We believe we have been given no choice. It is the only way we will be free."

over the past several weeks and to travel to northern Albania to join the rebel movement. Any prolonged war also has the danger of drawing Albania, already a staging area and sanctuary for the rebels, and Macedonia, which also has a restive ethnic Albanian minority, into the conflict.

In Junik, Mr. Maloku, an architect wearing a green ammunition pouch strapped over his sweater and carrying an AK-47 assault rifle, stood with a half dozen of his neighbors under the peaked barn roof with its dark oak beams.

The tractors, wooden rakes, buckets, empty animal stalls and faint scent of machine oil gave to the cool interior a sense of bucolic peace that helped soften the signs of brutality outside. On the stucco walls of the house that faced the barn were splotch marks from shrapnel explosions and drill-like holes from sniper bullets.

"None of us want a war," he said. "We believe we have been given no choice. It is the only way we will be free."

U.S. Envoy Starts Visit to Balkans  
Holbrooke Meets Greek Leader to Discuss Cyprus and Kosovo Crises

The Associated Press

ATHENS — Richard Holbrooke, newly appointed to be the chief U.S. delegate to the United Nations, met with Greek officials on Monday to discuss deteriorating relations with Turkey over Cyprus.

According to a government spokesman, Dimitris Reppas, the crisis in the separatist Serb province of Kosovo was also on the agenda in the talks with Prime Minister Costas Karamanlis and other Greek officials.

Kosovo is also expected to be the main focus of talks between the Macedonian foreign minister, Blagoje Handziski, and his Greek counterpart, Theodoros Pangalos, during an expected meeting Tuesday. Macedonia has a large ethnic Albanian minority in areas bordering Kosovo.

Mr. Holbrooke is expected to discuss the same issue during meetings in the Yugoslavian capital, Belgrade, later this week. He is expected to return to Athens to give a commencement address at the American College

of Greece on Friday. No statements were made after Mr. Holbrooke's meeting with Mr. Simitis, underlining the private nature of the American official's visit here.

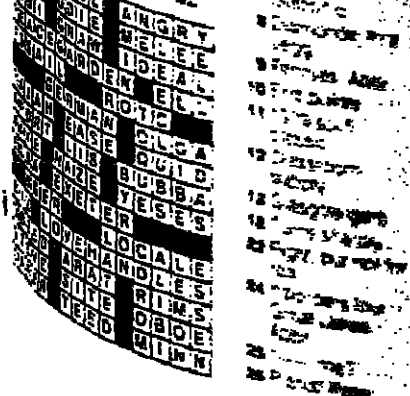
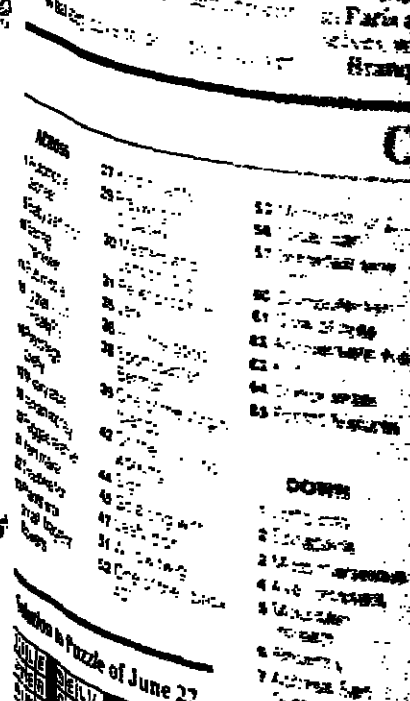
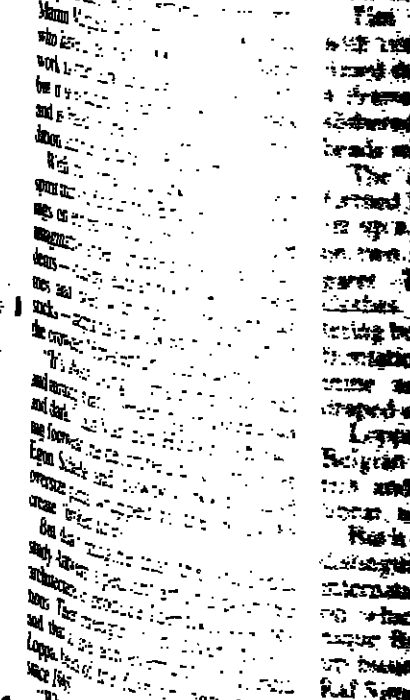
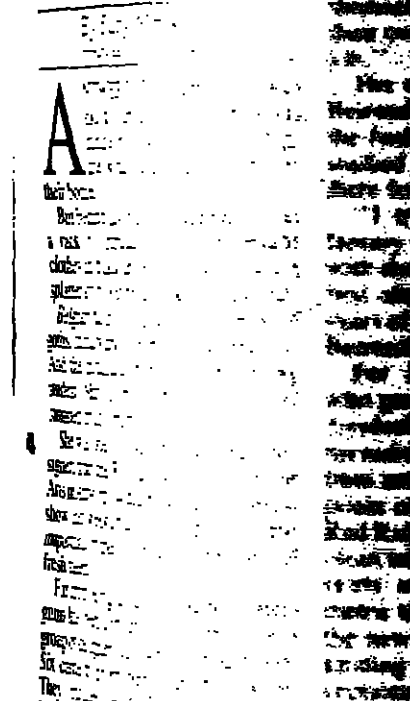
But Mr. Reppas said talks would have focused on last week's crisis between Athens and Ankara after the deployment of Greek and Turkish warplanes on Cyprus.

Until his nomination to the UN post, Mr. Holbrooke was President Bill Clinton's special envoy for Cyprus. He failed to restart talks between the Greek and Turkish communities on the island.

Tensions have been on the rise in Cyprus after a decision by the Greek Cypriot government to deploy Russian-made anti-aircraft missiles on the island. Turkey has threatened to prevent the deployment, an action that could lead to a war between Greece and Turkey.

Cyprus has been divided since 1974, when Turkey invaded and occupied its northern third following an abortive Athens-backed coup by supporters of union with Greece.

## Structuring





# Structuring Creativity: Antwerp's Cradle of Design



By Suzy Menkes

International Herald Tribune

**A**NTWERP, Belgium — It was like a film noir in a medieval dungeon: ghostly white figures with pictures projected on their bodies.

But behind this dramatic scenario was a rack of intricately cut, well-made clothes in black and gray — with just a splash of blood red as a skirt unfurled.

Belgian fashion is a particular mix of gothic fantasy and down-to-earth reality. And the installation by the graduating student Marjolijn Van den Heuvel summed up its spirit.

She was one of seven final-year designers from the Royal Academy of Fine Arts in Antwerp, which staged its annual show last weekend — and proved the importance of the college as a seedbed of fresh talent.

Far from being a fashion outpost, Belgium has been center stage ever since a group of designers known as the Antwerp Six came to prominence in the 1980s. They included Ann Demeulemeester, Martin Margiela and Dries Van Noten, who have all defined 1990s style. Their work is often dark and deconstructivist, but it uses natural, even rugged, fabrics and is based on the noble tailoring tradition and rich culture of Flanders.

With that comes a quirky, troll-like spirit that you find in the Bruegel paintings on exhibit in the city. In fact, the imaginative shoes created by the students — squashy leather boots with open toes and shoes with heels straight as sticks — might have walked right out of the crowded 16th-century canvases.

"It's about using something natural and turning it into something mysterious and dark," said Van den Heuvel, showing footwear she described as a "mix of Egon Schiele and cowboy boot" and "oversize pants wrapped to the body to create 'broken lines'."

But don't imagine that the students study Antwerp's peasant art and pointed architecture to produce Identikit collections. Their strength is in diversity — and that is the achievement of Linda Loppa, head of the fashion department since 1985.

"What they have to do is to discover

themselves," said Loppa. "If they find their own identity — then we did a good job."

Her words are echoed by Walter Van Beirendonck, who is the designer behind the funky and upbeat W&LT label. He studied at the academy and has taught there for 11 years.

"I try to use my imagination and fantasy to get into their world and work with them from inside to out — and the best ones have their own style after four years of working so intensely," said Van Beirendonck.

For Bernhard Willhelm, a student who graduated with distinction, that individuality meant capturing the spirit of his native Bavaria in an installation of fir trees and in knitwear patterned like paw prints on snow. Modern takes on Little Red Riding Hood were the checked Tulle tablecloths made into tulip-shaped skirts and dirrds reworked in asymmetric tiers. The knitwear — inspired by the newspaper story of a little old lady knitting an entire wardrobe — was exceptional in its graphic modernity.

Tim Coppens's simple sportswear with computer-manipulated prints on a lizard theme was also graphic and made a dramatic show, as prints and colors slithered together and snake-patterned beads made dangling headgear.

The current graduates are children formed by the 1980s. Kris Van Assche set up a boxing installation and focused on two iconic figures of that era: Margaret Thatcher and Madonna. His clothes — showed by models with glittering boxing gloves — expressed a confrontation between masculine and feminine as crisp tailoring fabrics were draped or used asymmetrically.

Loppa says that she would describe Belgian style as being about "good fabrics and nice finish — quite flat and linear, not so much about drapes."

But it is the quality of that tailoring that distinguishes Belgian students from their international counterparts and is the basis on which recent graduates like Veronique Branquinho have managed to set up business. Both she and her partner, Raf Simons, are based in Antwerp, show in Paris and are making a name for themselves with the press and retailers alike. Branquinho, who graduated in 1995,

paid tribute to Loppa, describing her as a "strong woman" and saying that she runs a very individual academy, where "they want you to go deep inside yourself — and they follow and help."

Both she and Simons are also grateful to the pioneering work done by the Antwerp Six in building good relations with local banks and manufacturers. Significantly, Belgian fashion graduates, unlike the British, are not obliged to look abroad if they want to set up their own labels.

For Olivier Theyskens, another rising young Belgian designer who dropped out of the La Cambre design school in Brussels, the Antwerp college is unique. Although Madonna wore a Theyskens dress to the Academy Awards, he has not yet organized his manufacturing.

After watching the Antwerp show, staged in the soaring, vaulted ancient stock exchange, he said: "If I'd been to this school where every student reaches their personal goal — maybe I would have stayed."

So what is so special about the Antwerp experience? The word the graduates use to describe it is "discipline."

"I think maybe it is realism and discipline — being taught that self discipline is the only way to survive," said Van Assche.

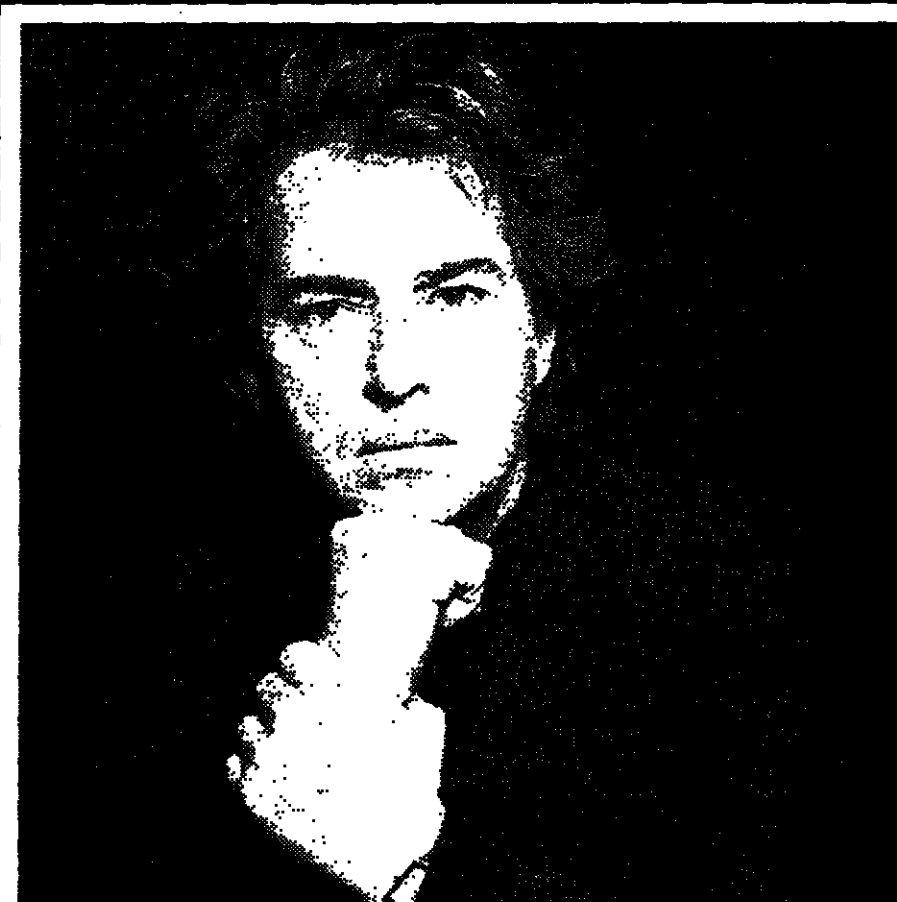
**T**HAT chimes with the impression formed by Hirofumi Kurino, from Tokyo's United Arrows retail group.

"For me, Belgian style is a kind of realism," he said. "There are many strong ideas, but most of the clothes on the runway are wearable — and that is a strong part of the vision. The way they are teaching and guiding is excellent, respecting freedom and individuality, but with each student really thinking about the market."

While Antwerp is on the crest of a design wave, Loppa is working on a new initiative: to create a Flanders Fashion Institute, a 5,000-square-meter building on four floors, restored by city funding and projected to open in 2000.

For this venture, there is a motto: "It is not sufficient to cherish creativity — it has to be structured." That sums up what is happening in Antwerp — and the lesson it can give to the wider fashion world.

In Antwerp, clockwise from top left: Coppens's graphic knit; Van den Heuvel and her gothic installation; Van Assche holding skirt, and his dress with boxing gloves; Willhelm's footprints-in-the-snow pattern, and the designer with linear sweater; established graduates: Branquinho and Van Beirendonck.



Gilles Dufour was formerly Karl Lagerfeld's right hand at Chanel.

## France Looks to Its Own Dufour Signs On With Balmain

By Suzy Menkes

International Herald Tribune

**P**ARIS — Are French designers — recently overshadowed by the arrival of English and American talents — about to regain the spotlight?

Gilles Dufour, former right hand of Karl Lagerfeld at Chanel, was appointed last week to the house of Balmain, where he will show his first ready-to-wear collection in March 1999 and give a coherent, luxury image to Balmain's worldwide licensed products.

Although Oscar de la Renta will continue to design the couture collections (which have been a critical and client success story) the arrival of Dufour is significant because he is an experienced designer, steeped in French culture, who is replacing a new-generation flop.

Andrew Gn, a Singapore-born designer, with a sleek, modern style for his own label, failed to convince press or buyers in his first show for Balmain last season and was dismissed. Significantly too, Dufour will apply his talents full-time to the house, reinforcing the current feeling that the era of the itinerant fashion mercenary is ending.

"I am happy to be a French designer at a French house and I envisage doing fashion that is wearable and à la française," said Dufour. "Balmain was associated with 'Jolie Madame.' But I want to do something that is younger, sporty and sophisticated."

Dufour, who has designed costumes for Twyla Tharp ballets and says that his fashion heroine is the witty 1930s designer Elsa Schiaparelli, paid tribute to de la Renta for waking up the "Sleeping Beauty" Balmain. He also said that although he loved working with Lagerfeld and helping to build the success of Chanel, he was looking forward to doing his own thing.

"I picked Gilles because of his great experience with Chanel, because his work is classical in a modern way and because I need someone who is French, lives in Paris and can concentrate on Balmain," Georgina Brandolini, Balmain's managing director, said Monday.

After the Anglo-Saxon designer borders have swept through Paris, there are signs that France is looking to its own. Gilles Rosier, who already designs the Lacoste brand, has taken a senior design position at Kenzo. Michele and Olivier Chantet, who form the design team Mariot Chantet, have been absorbed into Eres, the swimwear company that was bought last year by Chanel.

Although the July couture calendar will include the Italians Valentino and Donatella Versace (showing their first high-fashion collection), French fashion's ruling body has invited Christophe Rouxel to join, a 33-year-old French designer who worked briefly at both Chanel and Saint Laurent. And Stephane Rolland, 31, will sign his first line for Jean-Louis Scherrer.

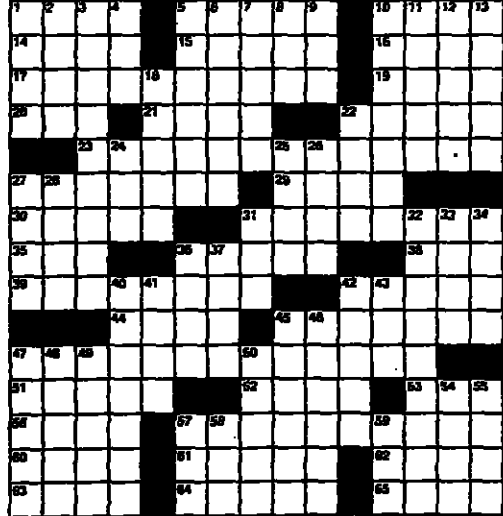
### CROSSWORD

#### ACROSS

- 1 Automobile pioneer
- 5 Baby's affliction
- 9 Sailing maneuver
- 14 Pub missile
- 15 "Is that —?" ("Really?")
- 18 Preschooler, briefly
- 17 Military attire
- 19 Iranian money
- 20 Reggae relative
- 21 Yarn maker
- 22 Troutlike fish
- 23 Poem with small, fragrant flowers
- 27 Kind of lantern
- 28 Playwright O'Casey
- 30 Masters and Jonson, e.g.
- 31 Pellet propeller
- 32 Jew
- 33 — the good
- 35 Sportscaster Berman
- 36 One of the Virgin Islands
- 42 On the — (not working)
- 44 Sign
- 45 Go along with
- 47 Lately dish
- 51 Willow tree
- 52 One of the "back 40"
- 53 Motorists' org.
- 54 "Scat, cat!"
- 57 Breakfast side dish
- 58 Computer list
- 61 Cow of note
- 62 Anniversary, e.g.
- 63 Kid
- 64 Check writer
- 65 Potato features
- 67 Calculating types
- 68 Welcomer
- 69 Capp and Capone
- 72 Takes to the air
- 73 Pig native
- 74 Auto maker Ferrari
- 75 New World abbr.
- 76 Gel, as a job
- 78 Finest putting
- 81 Bridge expert Shat
- 82 Less restrained
- 83 Cartoon canine
- 84 Comic strip redhead
- 85 Big name in baby food
- 86 "Kramer of Springfield"
- 88 Actor Milo
- 89 Club members since 1917
- 90 Given to gabbing
- 91 What's required to be "it"
- 95 — "Death" (song work)
- 97 Wine
- 98 It goes before carts, but not horse
- 99 Keats creation

#### DOWN

- 1 Lotto into
- 2 Escapade
- 3 Most marvelous
- 4 Ave. crossers
- 5 Mountain retreat
- 6 Recreity
- 7 Actress San Giacomo
- 8 Diamonds, to a 1999
- 9 Pennies: Abbr.
- 10 End points
- 11 1979 sci-fi classic
- 12 Classroom supply
- 13 Glasgow garb
- 15 Turns sharply
- 22 Fight, but not for real
- 24 It borders four Great Lakes: Abbr.
- 25 "me?"
- 26 Pianist Pader



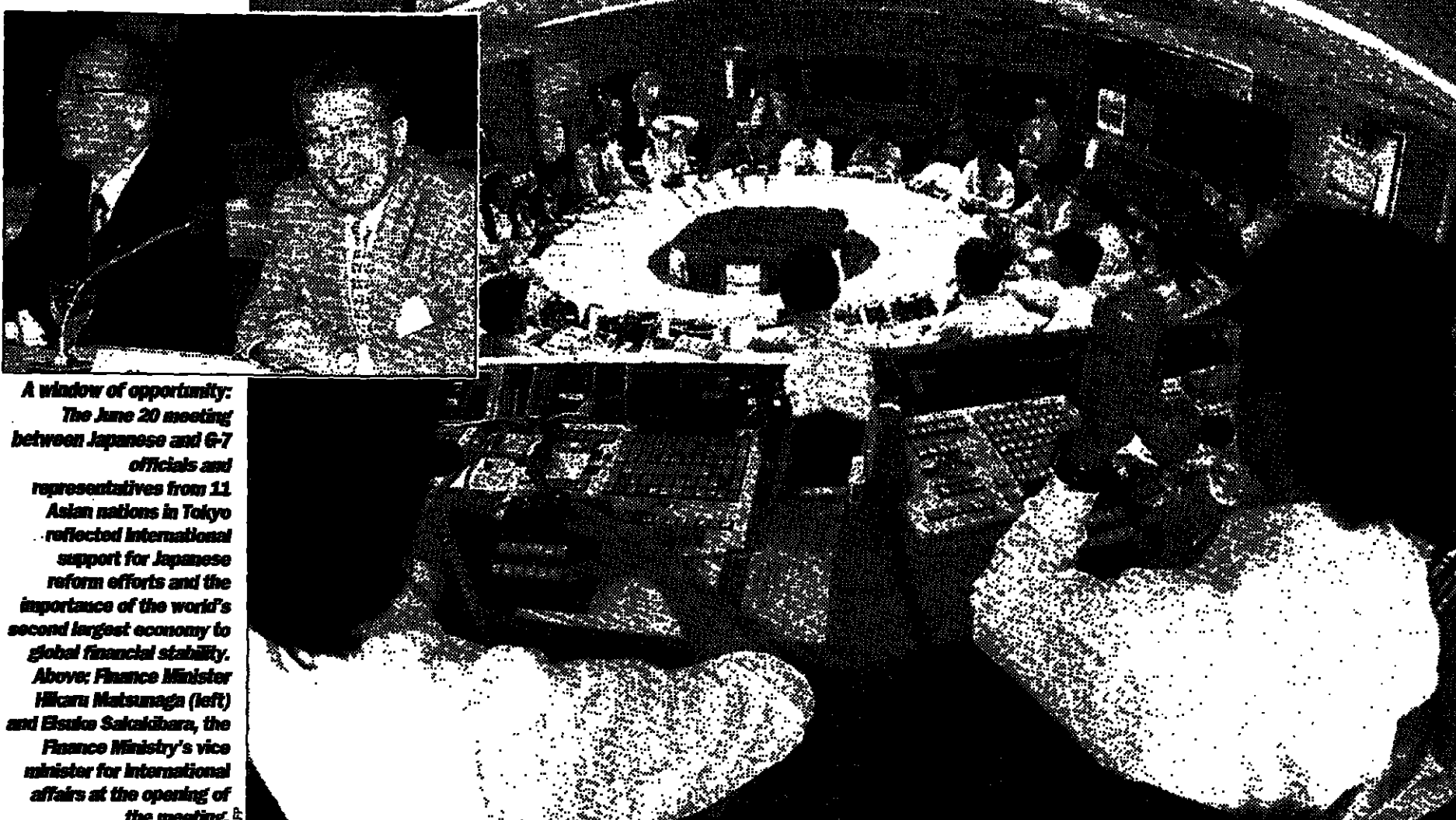
Puzzle by Ron Morris

#### Solution to Puzzle of June 22

FILE BEAL ANGRY  
AVER ODIE MLEE  
MINI GRAW IDEAL  
PEACEGARDEN ELL  
ASSAIL ROTC  
GERMAN OLGA  
RAJAH EASE OLID  
APORT EISE BURBA  
KAYE MAZE YESES  
ELISA BRETER  
USER LOCALE  
OIZ LOVEHANDLES  
OZED ARAT RIMS  
STEVE SITE OBOE  
GARDER TEED WINN



# BUILT FOR BUSINESS: JAPAN



**A window of opportunity:**  
The June 20 meeting between Japanese and G-7 officials and representatives from 11 Asian nations in Tokyo reflected international support for Japanese reform efforts and the importance of the world's second largest economy to global financial stability. Above: Finance Minister Hiroshi Matsunaga (left) and Eisuke Sasaki, the Finance Ministry's vice minister for international affairs at the opening of the meeting.

## WIDE-RANGING REFORMS AIM TO JUMP-START THE ECONOMY

Tax incentives, increased liberalization and a long-term overhaul of the bureaucracy aim to attack the root of the problems.

The past two weeks have taken Japan, its currency and its markets on a roller coaster ride. The hope is that the country can now move forward to revive its economy after officials have made firm pledges and begun enacting stimulus and reform packages, the United States has given its support to the Japanese currency, and members of the Group of Seven nations and representatives from 11 Asian countries have firmly encouraged Japan to

act soon to restructure its financial system in Tokyo on June 20. "We are very serious about structural reform, particularly financial reforms, in this country," said Vice Finance Minister Ryutaro Hashimoto last Thursday. "Bad debts must be cleaned from [banks'] balance sheets." While G-7 members underscored the opportunity that Japan now has to move ahead, Japanese officials face the task of making the world's second largest economy tick at a healthy pace.

Continued problems in the banking system, weak consumer demand, a bleak outlook for employment and related problems must be overcome. In addition, said Prime Minister Ryutaro Hashimoto last Thursday, "Bad debts must be cleaned from [banks'] balance sheets." Parliament may begin acting on one means to resolving this issue — a "bridge bank" that would take over the assets and liabilities of failing banks — as early as this week. Japan's recent acknowl-

edgment that its economy was in recession is seen by some analysts as a positive sign that the government is ready to face the problems head-on. On June 12, Japan's Economic Planning Agency said that the country's gross domestic product shrank 0.7 percent in fiscal 1997, which ended on March 31. That marks the first full year of economic decline (measured in yen) since 1974, when the economy contracted 0.5 percent. In the last quarter of the fiscal year, the GDP declined

1.3 percent. This result came on the heels of a 0.4 percent drop in the October-December quarter. Koji Ori, director-general of Japan's EPA, said in a recent speech that Japan needs to pursue sound "macroeconomic policy combined with structural reform and further financial stabilization" to reverse this trend. Long-term plans to overhaul the country's central bureaucracy should help. The government's 22 ministries and agencies are to be converted into one cabinet agency and 12 ministries and agencies starting in 2001. Such moves could lead to further simplifications in the rules and regulations that businesses — especially start-ups — must deal with, stimulating job creation.

Strong fundamentals In the short-term, the latest fiscal package could potentially add 1 percent to this year's economic growth — maybe more — analysts say; the size of the stimulus measures represent approximately 3 percent of Japan's gross domestic product, according to the Japan External Trade Organization. It includes about 4 trillion yen in tax cuts, which will have the general effect of making up for last year's tax increase. The Japanese government believes that the economy

## THE BIG BANG: LIBERALIZING THE FINANCIAL SECTOR

New players and foreign competition.

Japan's Big Bang reforms are moving forward. But the weak state of the economy and stock markets mean their full impact may not be seen for some time. The financial liberalization measures are designed to make the country competitive with global financial centers like New York and London by 2001. In April, the country's foreign exchange law was changed, and Japanese companies and consumers were allowed to handle foreign currencies freely. "We are strongly committed to promoting economic structural reform, including drastic deregulation, creating an attractive environment for venture businesses and implementing the financial reform, Big Bang," said Economic Planning Agency Director-General Koji Ori in a recent speech.

Japan's Parliament approved further reform measures on June 5 that may enable the island nation to achieve these goals.

The liberalization of investment trust funds, similar to U.S. mutual funds, is one important example. From Dec. 1, these funds can be sold by banks from existing banking facilities. In addition, a ban on derivatives trading will end at this time.

Another key reform concerns non-life insurance premium rates. These rates will be liberalized as of July 1. Until now, they have been set by industry panels.

Brokers' commission fees should be fully liberalized by the end of next year.

Further reforms aim for greater disclosure of corporate management information and an improved system for registering securities firms.

A survey of nearly 1,200 small and medium-sized businesses in Osaka conducted in March by Osaka City Shinkin Bank found the majority, 64 percent, favored such measures. Many companies felt that disclosure by financial institutions and related measures would have a positive impact.

Another change expected to occur as a result of Japan's Big Bang is an increase in electronic commerce.

The Osaka Securities Exchange is setting up an electronic transactions system that should be in full operation by the end of this year. It will enable securities firms, institutional investors and others to execute negotiations for over-the-counter stocks by computer.

Japanese software distributor SoftBank Corp. intends to sell securities on-line starting next year through a joint venture with E\*Trade Group Inc., a U.S. Internet brokerage company. SoftBank recently bought MAC, a Japanese asset management firm.

An improved environment for foreign investors is also expected. The Japanese government is considering the controversial move of abolishing the withholding tax paid by non-residents on income from Japanese securities. This could produce a positive jolt to Japan's government bond market.

A related change is the expanding role of foreign financial institutions.

Merrill Lynch & Co. made quite a splash several months ago by taking over some of the retail brokerage assets — and employees — of the defunct Yamaichi Securities Co. And Goldman Sachs & Co. has announced plans to work with Fuji Bank Ltd. to distribute mutual funds in Japan.

Now Travelers Group Inc. is taking a major plunge — acquiring a 25 percent stake in Nikko Securities Co., one of Japan's three largest brokerage firms. If it is approved, the joint venture, to be named Nikko Solomon Smith Barney, would have 150 retail outlets, a figure the partners intend to double over the next few years. In another important alliance, Chuo Trust & Banking Co. has taken steps to team up with HSBC Holdings Plc., the UK-based financial group, to provide asset-management services and sell investment trusts in Japan.

Ventures involving foreign financial firms could face some large Japanese competitors. Nomura Securities and the Industrial Bank of Japan, for instance, have moved to form a strategic partnership, a deal that could link the country's top two pension management firms.

Better regulation Better regulation of Japan's financial system should also result as reforms continue. The Bank of Japan gained independent control over the country's monetary policy on April 1, and interest rates are now being directed by a new nine-member policy board.

Still in the works is an independent Finance Supervisor Agency to be set up in late June. This agency will assume the oversight role previously played by the Ministry of Finance.

The field of securitization — the packaging and selling of assets — should continue to expand. Orix Corp., one of Japan's biggest leasing companies, has been actively buying and selling leased assets, for instance. And many foreign financial firms are aggressively moving into this growing niche.

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BUILT FOR BUSINESS: JAPAN

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## BUILT FOR BUSINESS: JAPAN

### GLOBAL VENTURES LAY GROUNDWORK FOR GROWTH

High tech is basis for international partnerships.

Through high-tech partnerships, financial investments and face-to-face exchanges, Japanese companies and organizations are forming strategic link-ups and reworking their overseas operations.

The expectation is that global ventures can help them better exploit strong markets for certain products and services today and position them for future growth worldwide.

In the high-tech area, Victor Co. of Japan Ltd. (JVC) recently struck a deal with MGI Software Corp. of Toronto, Ontario to bundle MGI's technology into its new line of digital camcorders and digital video printers. MGI — in cooperation with Mitsumi & Co. — has struck similar agreements with Fuji Film Co. and Canon Inc. in recent months.

By using the Canadian company's technology, JVC is able to enrich the photo quality of images being stored and manipulated on personal computers and the Internet, MGI says. The technology is meant to improve the resolution of full motion video and still images captured on camcorders and downloaded onto computers.

Matsushita's Panasonic Computer Peripheral Co. and several other multinational computer makers licensed color-management technology from a division of Eastman Kodak Co. in March. The technology controls the quality of color that is downloaded, displayed on a monitor and shipped out or printed — allowing uniform images to appear in different computer media.

In the semiconductor field,

some Japanese electronics firms are incorporating high-bandwidth semiconductor technology made by Rambus Inc. of Mountain View, California. The technology transfers data between semiconductor chips imbedded in consumer and multimedia products at high speeds.

Satellite networks Electronics maker Sharp Corp. began participating in SkyBridge, a satellite network program led by France's Alcatel Alsthom, last year and continues to work with members of the SkyBridge Limited Partnership. Sharp's efforts focus on developing interfaces, broadcast communication adapters, terminal components and solar cells for satellites and multimedia equipment that support the full-scale operation of the network.

The network is slated to begin operation in late 2001 and aims to enable two-way multimedia communications worldwide by linking 80 low-earth orbiting satellites with high-speed ground communications systems.

Other Japanese partners in the project are Toshiba Corp. and Mitsubishi Electric Corp.

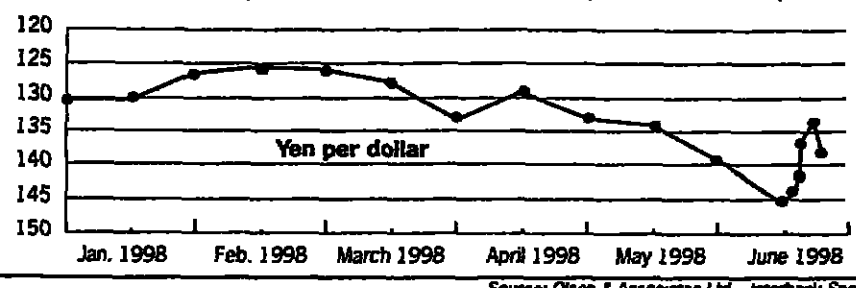
In a more down-to-earth venture, Mitsubishi Corp. is working with Billiton Plc of the United Kingdom on a large aluminum project in Mozambique.

On the entertainment

### THE RIPPLE EFFECT

When the yen is weaker, it affects the economies at home and abroad:

- Japan's exports become cheaper in the United States and Europe.
- Investing in Japan becomes less expensive.
- Traveling to Japan as a tourist becomes a better value.
- Other Asian currencies come under pressure.
- Japan's stock markets, as well as markets in neighboring Asian countries, are affected negatively.
- Goods imported to Japan from the United States and Europe become more expensive.



front, Universal Studios Japan continues to encourage the participation of foreign and local merchants in and around its developing waterfront theme park in Osaka. Also in the works is a "sea world" park being built by Japan's Oriental Land Co. in cooperation with the Walt Disney Corp.

International forums To ensure the future of one of Japan's cultural treasures — the kimono — Kyoto's Nishijin Textile Industrial Association is sending weavers to Lyon, France to study software used to design, color and manipulate silk fabrics.

They hope this effort — in addition to the production of new apparel items, home furnishings and related products that borrow traditional designs and themes from kimonos — will aid them in keeping the art of kimono-making alive.

To encourage the forma-

tion of new businesses in a variety of industries, the Osaka Chamber of Commerce and Industry will host "Global Venture Forum '98" in Osaka from October 22 to 23. At the event, entrepreneurs from around the world will present their ideas to potential Japanese and other partners.

Later in the month, the 19th Japan International Machine Tool Fair, or JIMTO, will be held in Osaka (Oct. 28 to Nov. 4) at the Intex Osaka exhibition center. The conference will focus on machine tool technology for the next century and hopes to attract at least 500,000 visitors.

As part of the event, the Eighth International Machine Tool Engineers Conference will present speakers from several foreign machine tool companies and universities. They are slated to discuss issues such as making machine tools with computer-aided design tech-

nology and high-speed spindles.

Two other global trade shows taking place in Osaka later this year are Techtextil Asia in mid-October and Food-Tech '98, both at Intex Osaka.

In Tokyo, Auto Asia '98 — September 18-20 at the Tokyo Big Sight exhibition area — is being organized by the Tokyo International Trade Fair Commission and the Japan Automotive Parts & Accessories Aftermarket Federation. The Japan Electronics Show '98 will be held in Chiba at Makuhari Messe from Oct. 6 to 10.

In a graphic demonstration of Japan's participation in and support for one of this summer's most important global events, the World Cup soccer tournament, All Nippon Airways Co. painted two of its Boeing 747s with the words "Goal! Goal! Goal!" and introduced extra flights between Japan and France.

J.P.L.

### ECONOMIC INDICATORS

	1995	1996	1997	1998**
GDP*	\$5,137 trillion	\$4,595 trillion	\$4,223 trillion	\$4,223 trillion
Inflation Rate	-0.1%	0.1%	1.7%	0.9%
Balance of Payments	\$111 billion	\$66 billion	\$95 billion	\$99 billion
Exports	\$443.0 billion	\$411.2 billion	\$421.1 billion	N/A
Imports	\$335.9 billion	\$349.5 billion	\$338.7 billion	N/A

\* at current prices and exchange rates \*\* estimates

Source: International Monetary Fund, 5/98

## TELECOMS: COMPETITION BENEFITS CUSTOMERS

Japan complies with World Trade Organization global telecoms accords.

The costs of voice and data communications have plunged over the last two decades, but consumers in Japan have only recently been able to benefit from increased competition in the telecommunications sector.

The proliferation of call-back services and Internet telephony firms has sent costs tumbling to the point where some residents of Hokkaido, Japan's northern main island, are using U.S. call-back connections to dial Tokyo on a regular basis. "No charge for uncompleted calls! No connection fees! Call anywhere in the world! USA 22 yen a minute!" scream ads in the local press.

Nippon Telegraph and Telephone Corp., the national operator and the world's largest telecommunications company, has responded to this competition — and the prospect of politically mandated reform — by slashing domestic long-distance prices.

"NTT is now the price leader in the [domestic] long-distance market, but nobody can make money in this area," says Merrill Lynch analyst Kiyohisa Ota. "Money can, however, be made in the local and mobile sectors, and NTT holds a 99.7 percent share of the local market."

In the mobile arena, NTT DoCoMo, the mobile arm of NTT, leads the domestic market, with 16.67 million subscribers recorded in January 1998 and a network that covers 98 percent of the population. It is also a key international player in the development of cutting-edge third-generation mobile technology known as Wideband CDMA (W-CDMA), set to be launched in 2000.

Scrapping restrictions Although NTT is rumored to be planning to raise its basic charges, it has also decided to provide new subscribers with an alternative to paying the much-resented initial subscription fee of 72,000 yen (\$520).

Back in the good/bad old days of the high-flying yen, a phone line cost the equivalent of up to \$900. By the end of this year, however, new subscribers will reportedly be able to avoid the subscription fee altogether by paying a monthly charge of around \$4.

The increase in competition in the Japanese telecommunications market is due in large part to the fact that Japan last year agreed to scrap its restrictions on the resale of spare capacity on international lines. This was in line with the global telecom accord reached by 68 members of the World Trade Organization. But Japan refused to lift the restriction on foreign equity ownership in

NTT or international carrier KDD. "The Japanese government considers the NTT matter one of reciprocity," says Mr. Ota, explaining that until the United States relaxes its restrictions on foreign equity holdings in U.S. mobile companies, Japan will continue to move slowly on reforming NTT.

Although the Ministry of Posts and Telecommunications declined to comment on the likelihood of an AT&T-style breakup of NTT, the telecom giant is expected to be split up next year into a number of businesses. These units, however, are expected to be joined in a new form, under a holding company.

Critics say the ministry capitulated to NTT's demand that it not be broken into too many competing companies. The 20-percent-maximum foreign equity restriction for KDD, however, could be lifted in the next few months, according to Mr. Ota.

New players Foreign telecoms companies are also entering the Japanese market. In March, WorldCom Inc., the fourth-largest U.S. long-distance carrier, won a license to provide international phone service in Japan.

In early June, British Telecommunications applied for a license to provide phone service in Japan using its own network.

If the application is approved, British Telecom will start offering international phone service in January 1999 through a joint venture with a Japanese trading firm, Marubeni Corp. The BT-Marubeni venture plans to build a fiber-optic network in Tokyo next year, giving it direct access to Japanese customers. Calls will be connected to British Telecom's worldwide network via a network owned by NTT. The company is already offering international and domestic service in Japan by leasing facilities from other carriers.

To avoid the relatively high cost of voice communications, many foreign businesses in Japan are relying increasingly on e-mail to stay in contact with coworkers overseas. Converse Japan President William R. Hayes says his branch office, which services Japan and South Korea, keeps in touch with other Converse offices over the Internet.

Internet service providers in Japan have no choice but to rent circuits from NTT — a fact not lost on the telecom giant.

NTT's success in capitalizing on the growth of Internet access can be seen in the firm's number of ISDN subscribers. Their ranks are expected to top 4 million by early next year.

Greg Wiegand

## DRIVING ENVIRONMENT-FRIENDLY CARS

Japan leads the world in producing clean-running automobiles.

As part of a worldwide effort to reduce global warming in accordance with the Kyoto Declaration, Japanese carmakers are rolling out vehicles — both at home and abroad — that promise to pollute less while using less fuel.

Toyota Motor Corp. is one of the leaders in this effort. Its hybrid car, the Prius, is powered by both an electric motor and a gasoline engine and gets 66 miles to the gallon. Levels of carbon dioxide and other toxic emissions generated by the vehicle's engine are well below that of traditional gas-powered cars. The car uses electricity at low speeds and gas at high speeds.

The Japanese have been eagerly buying Prius and its hybrid technology. One reason is its low sticker price — roughly \$15,500. Toyota intends to export the car to the United States and probably Europe by the end of 2000.

The company's electric sport-utility vehicle, the RAV4-EV, is proving popular in New York City, where local authorities recently leased 37 of the vehicles for city agencies. Other organizations in the area are already using 20 of them through leasing arrangements. The RAV4-EV can travel up to 120 miles on a single charge at speeds of up to 78 miles per hour. More than 360 have been ordered.

Later this year, Toyota intends to sell a limited number of compressed-natural-gas-powered Camrys. These vehicles produce cleaner exhaust than traditional cars.

Standard system As part of its environmental strategy, Toyota is working with General Motors Corp. of the U.S. to develop a new inductive charging system for electric vehicles. The project's objective, outlined on June 1, is to introduce a standard charging system that can be used by consumers worldwide.

At present, there are two different charging systems for EVs. One is an inductive system used on the GM electric pickup truck and the Nissan Altra EV, and the other is a conductive system for Toyota's RAV4-EV and electric cars made by other auto manufacturers.

Mitsubishi Motors Corp. recently developed two small direct injection diesel engines that cut down on the amount of petroleum used by and emissions generated by traditional gas-powered cars.

Plans call for the engine to be introduced in a sport-utility vehicle slated to go on sale in Japan next year.

The company launched its GDI engine, which injects gasoline directly into the cylinders of a car, in its Galant/Legnum series in 1996. Roughly 200,000 cars with GDI engines had been ordered as of February, including the GDI-powered Carisma — which was rolled out in Europe in October of last year.

J.P.L.

### JAPAN ON-LINE

- [www.japantimes.co.jp](http://www.japantimes.co.jp) The Japan Times' newspaper site includes a weekly news roundup and details on festivals, museums and galleries in and around Tokyo and Osaka.
- [www.jetro.go.jp](http://www.jetro.go.jp) The Web page of the Japan External Trade Organization contains facts and figures and links with other information-packed sites.
- [www.jnto.go.jp](http://www.jnto.go.jp) The Japan National Tourist Organization offers maps, travel hints, news and events calendars.
- [www.epa.go.jp](http://www.epa.go.jp) Japan's Economic Planning Agency site includes information on the Japanese economy and useful links.
- [www.nikkei.co.jp](http://www.nikkei.co.jp) The Nikkei Net focuses on economic and financial news.
- [www.yomiuri.co.jp](http://www.yomiuri.co.jp) The Daily Yomiuri newspaper gives viewers the latest national news and has an arts and entertainment guide.

## IMPLEMENTING ECONOMIC REFORMS

Continued from page 1

worked out. At the same time, the Tax Reform Council is examining a broader, long-term reform of Japan's tax system. "The key issue," Mr. Kimmont adds, "will be whether changes in the tax system are important enough to affect the structure of economic incentives."

Reform in some fields — air transport, energy, electronic commerce, finance, telecommunications and other services — may lead to additional liberalization. In addition to increasing competition in the financial sector, the Japanese government is considering tax incentives that may help the country resolve its bad-debt problem. The problem loans are estimated at more than 75 trillion yen (\$550 billion).

In the energy sector, Japanese companies may soon be able to buy power from independent producers. These organizations plan to price their electricity at least 20 percent below rates charged by regional electricity entities once new rules are enacted. In early June, Japan's Ministry of International Trade and Industry announced plans to abolish price controls on petroleum products and rules governing oil refinery construction. The recommended measures, however, aren't expected to take effect until 2001. Ne-

gotiations between Japanese and American officials appear to have laid the groundwork for generally unrestricted electronic commerce and information flows.

This could be good news for Japanese consumers, once their level of confidence improves. Predicting when that may happen is difficult. With rising unemployment and falling wage growth, disposable income could decline about 1.2 percent in fiscal 1998, reports Morgan Stanley's Robert Feldman.

The good economic news for some Japanese companies has been that consumers overseas — mainly in the Americas and Europe — continue to believe their products are worth buying. Toyota Motor Corp.'s exports grew by 11 percent in April. Honda Motor Co.'s by 8.3 percent and Mazda Motor Corp.'s by 10.2 percent, according to the Japan Automobile Manufacturers Association in Washington, D.C. Faced with weak demand at home, Japan's carmakers are working to add efficiency and increase sales by borrowing some techniques from foreign automakers. Toyota intends to set up a network of large showrooms over the next three years. This focus could take priority over traditional sales methods, such as home visits by salesmen. For the nation as a whole, the pressure is on the government to further deregulate as a means of jump-starting the economy. Janet Purdy Levaux

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## Cracking Defenses of Smart Cards

Code Breaker Throws  
Doubt on Their Security

By Peter Wayner  
New York Times Service

NEW YORK — To the companies in the smart-card business, Paul Kocher may be too smart for their own good. For the last year, Mr. Kocher's four-person consulting firm in San Francisco has kept big credit-card companies and banks on edge by sharing details of his discovery of a way to break into the newest version of the smart card.

The cards are credit-card-size devices that contain a tiny computer chip and can be used for a variety of purposes including storing so-called digital cash.

Although Mr. Kocher's intent has been to warn the industry and sell it possible solutions, his expertise — in the hands of thieves, counterfeiters or impostors — could compromise the security safeguards of smart cards, which are coming into widespread use in the United States and Europe.

The cards are at the center of the plans by the banking and credit-card industries to cut costs and improve customer convenience by replacing conventional magnetic-stripe cards with ones that not only can act as a debit or automated-teller-machine card but can also be loaded with digital cash that would function as legal tender wherever merchants have digital-cash decoder terminals.

Public confidence in the technology will be crucial to the industry's plans. And that may help explain why, since word leaked of Mr. Kocher's break-in methods two weeks ago, the industries promoting smart cards have tended to play down his technique by calling it a "laboratory attack" that could be replicated by perhaps a handful of people around the world.

"Chip cards are the most secure technology around," said Steve Schapp, the executive vice president of Visa International in charge of developing smart cards. "They are very hard to break."

Mr. Kocher likes to remind the industry, however, "We have not yet en-



Paul Kocher holding a smart card and a reader used to decipher codes.

countered a card that couldn't be broken."

Mr. Kocher and his colleagues were able to crack the digital code designed to make the smart cards tamperproof by drawing mathematical inferences from the fluctuating electrical power consumption of the chip.

It is a sophisticated type of analysis, but the rudimentary "laboratory" — in this case a three-room office suite, some garden-variety personal computers and several thousand dollars' worth of electronics equipment — indicates that it does not require elaborate tools to crack

what is supposed to be a highly secure digital safe.

As details of the technique circulate, as they invariably do in the hacker underground, imitators will almost certainly try to duplicate Mr. Kocher's experiment. For his part, Mr. Kocher, who at 25 is already a well-known expert in code breaking, said, "As the expertise becomes more widely available, the threats will become more than academic."

Peter Neumann, a computer scientist

See SMART, Page 20

## Tokyo Rushes to Offer Bank Plan

But Skeptical Markets Punish Yen on Lack of a Concrete Strategy

By Sandra Sugawara  
Washington Post Service

TOKYO — Japanese officials scrambled Monday to try to put together a credible plan for closing or merging weak banks before its currency begins collapsing again. But the yen edged downward on skepticism over the ability of Japan to stabilize its banking system.

The dollar was changing hands at 138.06 yen at 4 P.M. on Monday in New York, compared with 136.050 at the market close on Friday. Traders warned that Japan, the world's second largest economy, must move quickly to pull itself out of its recession, particularly with anxieties growing over the stability of Long Term Credit Bank of Japan, one of the country's major banks.

The secretary-general of the governing Liberal Democratic Party, Koichi Kato, said after an emergency meeting with Prime Minister Ryutaro Hashimoto that by July 8 the party would release the outlines of a plan to create a "bridge bank." News reports say that the "bridge bank" would probably take on the bad debts of ailing institutions and provide loans to other borrowers if their banks failed.



Charlene Barshefsky meets Mitsuo Horiuchi. Page 20.

The deadline means a plan would be announced before the July 12 upper-house elections, and Mr. Kato hinted that many details would probably come out at a July 2 policy-planning meeting. Some traders were also hoping for more details at a meeting Tuesday of a government committee that is working on other proposals for banking reform.

But because of conflicting statements from the governing party and in media reports about the bridge bank plan, investors remained wary.

"If you look at what the currency has done, it doesn't appear to have given a very great vote of confidence in the government's ability to carry this out," said Kathy Matsui, a Tokyo-based strategist at Goldman Sachs. The big question is, does the government have much time, and it doesn't.

Indeed, shares of Long Term Credit Bank of Japan plummeted 44.6 percent, to a record low of 62 yen on Monday, as waves of sell orders hit the stock, traders said. Long Term Credit Bank has been the subject of numerous market rumors, many denied, that are threatening the bank's ability to raise funds, analysts said.

The danger is this becomes a self-fulfilling prophecy," said Brian Waterhouse, a banking analyst at HSBC Securities.

Mr. Hashimoto told a senior Liberal Democratic Party official, Taku Yamazaki, in a meeting Monday, that he was "worried about LTCB as the markets are increasingly downgrading their assessment of the bank," the Kyodo news service reported. Mr. Hashimoto asked Mr. Yamazaki to find ways to help the bank regain market confidence.

See YEN, Page 20

## Italy's GDP Shrinks as Asia Woes Bite

Bloomberg News

ROME — Italy's economy unexpectedly shrank in the first quarter as Asia's economic slump knocked back Italian exports to the region and a cut in state-sponsored car incentives slowed factory output at home, official data showed Monday.

The economy — the third-largest of the 11 nations adopting the European single currency, or euro — contracted 0.1 percent, its first quarterly drop since the end of 1996. Gross domestic product grew 2.5 percent from a year before, flattered by the comparison with the year-earlier period, when the economy barely grew.

Tumbling currencies and economies

in Asia have eroded shoppers' appetite for Italian-made goods, notably clothing, while the trimming of car incentives has pounded industrial output. That suggests that Italy, unlike its other leading euro partners France and Germany, will be less of an engine behind European economic growth this year.

"The economy is still pretty contradictory," said Giovanni Cianci, chief executive of Stefanel SpA, a Treviso-based retailer and designer of clothing. "On the one hand, there are signs of a rebound, but in the clothing sector, for example, it is not yet very clear-cut."

The contracting economy could help quell the central bank's inflationary concerns and lead it to cut its floor rate,

now at 5 percent. That would speed up the process of interest-rate realignment in the 11 euro states, which currently have disparate rates, with Italy's among the highest.

Growth in the quarter was held back by a 0.6 percent decline in industry's contribution to GDP, data from the statistics office Istat showed. Excluding energy, industry contributed 0.8 percent less than in the preceding quarter.

Also limiting expansion were exports, which dropped 1.6 percent from the fourth quarter of 1997, and household spending, which was unchanged in the month. Growth was further slowed by a 1.6 percent rise in imports of goods and services in the quarter.

## Thinking Ahead / Commentary

### EU's Chance to Take a Step Forward

By Reginald Dale  
International Herald Tribune

WASHINGTON — In its early days, the postwar drive to create a united Europe used to be compared to a ceremonial procession in the small town of Echternach in Luxembourg, in which dancers traditionally take one step back for every two steps forward.

Not much seems to have changed. With the ink hardly dry on their pledge to create a single currency, the euro, starting next January — the biggest step toward closer economic and political integration in the past 40 years — the leaders of the European Union appear to be getting cold feet.

From a summit meeting in Cardiff, Wales, last week, they sent the seemingly contradictory message that EU decision-making has become too centralized, and that some decisions should be restored to national, regional or even local authorities. The idea will be taken further at a special summit meeting planned for Austria in October.

The ringleaders in this apparent attempt to roll back the process of integration were the two most powerful countries, Germany and France, aided and abetted by a Britain that has always bitterly resisted the idea of a "European superstate." But the outcome may not be the one they expect.

It could be that all we are seeing is a blatantly populist appeal to voters in Germany by Chancellor Helmut Kohl, to boost his doubtful chances in September's national elections, and in France by President Jacques Chirac, who is desperately seeking an issue to revive his shattered political fortunes.

If that is what the two men hope to achieve by their cheap and often inaccurate accusations that the European Commission is meddling unnecessarily in national affairs, then they are not exercising leadership but abdicating from it.

But the review of decision-making could actually be favorable for European integration if it leads to a serious attempt to identify why the European institutions are so unpopular and to assess where the EU should be going as it introduces the euro and begins negotiations to expand the union for the first time into the territory of the former Warsaw Pact.

There is little doubt that in the coming years the euro and the new European Central Bank will come under heavy political attack as a single short-term interest rate depresses some areas and over-inflates others.

If all the leaders have done is to nourish resentment against the central institutions, they will have made it far more difficult for the institutions to withstand those attacks and uphold the single currency.

If on the other hand the leaders add rationality and flexibility to the institutions, together with greater democratic accountability, they will make it easier for the currency and the further integration it will inevitably bring to prevail.

There is no contradiction in transferring more sovereignty to Brussels and Frankfurt by creating the euro and returning control to member states over other issues that affect daily life in a more local way. When the U.S. Congress shifts power over policies like welfare reform to the states, it does not endanger the dollar.

But there is a paradox. Those who want to weaken the central institutions may in fact find that the institutions emerge strengthened from the process they have set in motion, especially as central decision-making will have to be streamlined, and thus made more efficient, to adapt to the intake of new members.

In the end, economic and political integration will only endure if it is built on the broad-based consent of the European people. If — admittedly a big if — the result of a forthcoming reappraisal is a set of institutions that are more democratic, more efficient and less prone to unnecessary regulation, then the EU will have taken not one step backward but several steps forward.

E-mail address:  
thinkahead@washpost.com

## CURRENCY & INTEREST RATES

Cross Rates									
	\$	£	DM	FF	¥	₹	₪	₹	₹
Australian	1.04	1.35	1.32	1.32	1.32	1.32	1.32	1.32	1.32
British	0.78	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Canadian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
French	1.36	1.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
German	1.36	1.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Italian	1.36	1.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Japanese	136.05	175.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Spanish	166.37	212.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Swiss	1.48	1.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
U.S.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
U.K.	0.78	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Yen	136.05	175.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Libor-Libor Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
1-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
3-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
6-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
9-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
12-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
18-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
24-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
36-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
48-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

Key Money Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
1-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
3-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
6-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
9-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
12-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
18-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
24-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
36-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
48-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

Private Banking  
International

# HOW TO BUILD

When you build the boat of your dreams, you know it was essential to call upon professionals. Only they had the skills and experience to understand your goals and make your project a reality. In very much the same way, when it comes to Private Banking, you'll benefit from Credit Lyonnais' more than 100 years of know-how. We know the value of listening first to fully understand your plans for future generations. Only then do we respond with just the right asset management solutions and investment strategies specifically adapted to your needs.

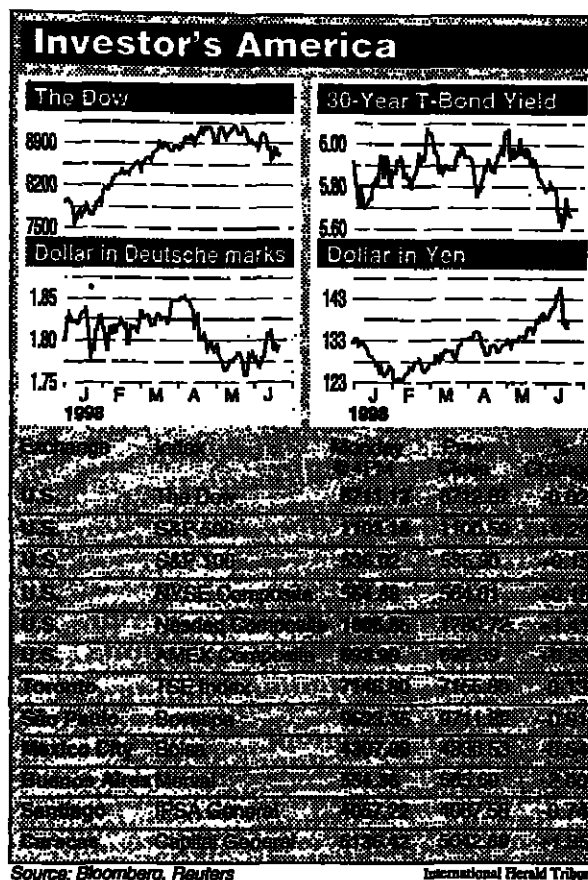
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## THE AMERICAS



## Very briefly:

- Merrill Lynch & Co. agreed to buy Midland Walwyn Inc., Canada's last major independent brokerage, for stock valued at about 1.26 billion Canadian dollars (\$856 million).
- Chancellor Media Corp., owner of 108 radio stations, is to buy Martin Media LP, a privately held owner of more than 13,000 billboards, for about \$610 million in cash.
- Bertelsmann AG, Germany's largest media company, bought an "influential" stake in California-based NuvoMedia Inc., which is developing technology to let people download books from the Internet to a hand-held device.
- Gtech Holdings Corp., the world's largest supplier of computer equipment to run lotteries, said it may become private, diversify or buy back shares in order to improve its returns to shareholders.
- The Learning Company Inc., the educational and entertainment computer software maker, is to buy Broderbund Software Inc. for about \$420 million in stock.
- America Online Inc. has won a U.S. Supreme Court fight to kill a defamation lawsuit over comments posted by a subscriber to the company's on-line service. Bloomberg, AP, Reuters

## Weekend Box Office

LOS ANGELES — "The X-Files" dominated the U.S. box office over the weekend, with a gross of \$31 million. Following are the Top 10 moneymakers, based on Saturday's ticket sales and estimated sales for Sunday.

	Weekend Gross*	Per-Screen Average	Weeks in Release	Gross to Date
1. The X-Files	\$31.0 million	\$22.6 million	1	\$31.0 million
2. Men	\$22.6 million	\$12.4 million	1	\$22.6 million
3. The Truman Show	\$12.4 million	\$10.5 million	1	\$12.4 million
4. Six Days Seven Nights	\$10.5 million	\$7.3 million	1	\$10.5 million
5. A Perfect Murder	\$7.3 million	\$4.0 million	1	\$7.3 million
6. Corbin Bleu	\$4.0 million	\$2.3 million	1	\$4.0 million
7. Hope Floats	\$2.3 million	\$2.3 million	1	\$2.3 million
8. Godfather	\$2.3 million	\$2.3 million	1	\$2.3 million
9. Deep Impact	\$2.3 million	\$2.3 million	1	\$2.3 million
10. The Hot Chick	\$2.3 million	\$2.3 million	1	\$2.3 million

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4. Six Days Seven Nights	\$10.5 million	\$7.3 million	1	\$10.5 million
5. A Perfect Murder	\$7.3 million	\$4.0 million	1	\$7.3 million
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9. Deep Impact	\$2.3 million	\$2.3 million	1	\$2.3 million
10. The Hot Chick	\$2.3 million	\$2.3 million	1	\$2.3 million

## AMEX

Monday's 4 P.M. Close  
The 200 most traded stocks of the day, up to the closing on Wall Street.  
The Associated Press.

Stock	Sales	High	Low	Open	Close
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00
Amgen	1,100	110.00	109.00	109.00	109.00

## IBM Cellular Chip Aims to Ring In a New Telecom Era

By John Markoff  
New York Times Service

NEW YORK — Without fanfare but with potentially far-reaching significance for the semiconductor industry, International Business Machines Corp. has begun the industry's first large-scale production of a type of chip that may reduce prices and improve performance and portability for cellular phones and other wireless communications devices.

The chips are based on technology developed by IBM in the early 1980s for mainframe computers and redirected toward consumer products. It combines the standard silicon used throughout the chip industry with germanium, a metallic element that is so efficient a conductor of electricity that it may reduce the power consumption of portable devices as much as 50 percent.

The use of germanium, which is relatively easy for chipmakers to work with and is well suited to the electronics of high-frequency radio

communications, enabled IBM engineers to combine wireless communications components and silicon digital transistors on a single chip.

By consolidating equipment and capabilities that typically require several chips or components, makers of cellular telephones and other consumer products can reduce the size and complexity of those products. Industry experts say it may eventually be possible to create the entire electronics of a cellular phone on a single chip.

Other applications may include home receivers for direct-broadcast satellite television and various kinds of portable devices for wireless connections to the Internet. Many analysts also expect silicon germanium chips, because of their high-speed processing ability, to play a key role in future network-switching equipment for routing all sorts of Internet traffic.

"IBM is assembling the technologies that will allow it to poise on

the communications industry," said Dan Hutcheson, president of VLSI Technologies Inc. of San Jose, California, a market research firm.

The components market into which IBM will be selling the chips is now estimated at \$540 million a year, but the company predicted that its own piece of the market would exceed \$1 billion annually within

## All the electronics of a cellular phone may one day be able to fit on a single chip.

five years.

Initial customers for the IBM chips, which the company began producing in large quantities last week at an updated plant in Burlington, Vermont, are Hughes Electronics Corp., Harris Semiconductor Corp., National Semiconductor Corp., Northern Telecom Ltd. and Tektronix Inc. All five companies have also licensed IBM's technology to incorporate into their own product designs. IBM said it had two dozen additional customers, which

it was not yet ready to identify. Although IBM declined to discuss pricing for the new chips, industry analysts estimated that it might sell for \$10 and replace a cluster of components now costing as much as \$100.

The higher-performance, lower-priced chips may also pave the way for "soft radios," the industry's emerging term for a new type of cellular phone that could use software to conform automatically to whatever format and frequency the local cellular system employed. Such a phone, in theory at least, could be used in any region of the world.

"This is the Holy Grail for the cellular telephone industry," said Lawrence Larson, a professor of electrical engineering at the University of California at San Diego.

Further in the future may lie more speculative but potentially vast markets for applications like collision-avoidance radar for automobiles. Such systems, long considered im-

practical because of cost, may be within the reach of inexpensive silicon-germanium-based devices.

The components of the IBM chip that are based on germanium involve analog technology — meaning that they convert sound, light or physical motion into electrical patterns analogous to the original source.

Analog chips are required in digital devices like cellular phones to convert the human voice into an electronic signal that a digital chip can translate into the binary-code data of ones and zeroes used in modern communications networks.

IBM's breakthrough involved, in essence, combining the germanium analog conversion device with standard silicon digital transistors on a single chip.

IBM executives say that as many as 50 other companies are pursuing similar technology, but industry analysts agree that IBM has taken a clear lead in silicon germanium chips.

"They've found their way around a lot of obstacles," said Fred Zieber, president of Pathfinder Research Inc., a market research firm in San Jose.

## Technology Sector Rallies, But Stocks Finish Mixed

Compiled by Our Staff From Bloomberg

NEW YORK — Stocks ended mixed Monday as higher oil prices and a rally in the technology sector helped lift the market.

Intel led a rally in computer shares on speculation that the world's largest computer chipmaker would not issue a warning about profit for the second quarter.

The financier Warren Buffett agreed to pay \$22 billion for General Re, suggesting there was still

## U.S. STOCKS

good value in the market. "It's a quiet market, but we're seeing pockets of strength," said Warren Buffett, director of trading at Richard A. Rosenblatt & Co.

"Technology stocks are offering some support as they come back from their oversold condition." The Dow Jones industrial average closed 1.74 points lower, at 8,711.13, wiping out a more than 50-point gain. The Standard & Poor's 500 index rose 2.53, to 1,103.18. The Nasdaq composite index gained 24.57, to 1,805.86.

Intel, which rose 3 1/16 to 73 1/16, pushed the Nasdaq higher,

traders said. "When the company didn't preannounce the quarter within the last few weeks, investors have come to conclude the worst is probably behind them," said analyst Mark Edelman at Morgan Stanley Dean Witter.

American Online, Yahoo and other Internet stocks surged on speculation that World Wide Web-based companies are likely acquisition targets after Walt Disney's investment in Infoseek Corp.

America Online rose 4 1/16 to 101 1/4, and Yahoo climbed 10 1/4 to 139 3/4, both records. Lycos rose 4 3/4 to 65 3/4 and Excite rose 5 3/4 to 79 1/4. Meanwhile, the acquisition by Mr. Buffett's Berkshire Hathaway Inc. and Learning Co.'s purchase of Broderbund Software Inc. bode well for the market, said Don Fredell, a managing trader at American Express Financial Advisors in Minneapolis. "Someone feels these are worthwhile companies, and they're not overpriced."

General Re and Broderbund agreed to be acquired at premiums to their Friday closing prices, sending their stocks surging.

General Re rose 40 3/4 to 261 in late trading. But Berkshire fell 1,000

## CompUSA Deal For Tandy Chain

The Associated Press

DALLAS — The computer retailer CompUSA Inc. said Monday it would buy the Computer City retail chain from Tandy Corp. for \$275 million as demand for their products slows.

The deal comes as Tandy works to sustain a turnaround it began last year as it refocused on its core RadioShack electronics business.

CompUSA operates 160 stores across the United States and offers its own build-to-order line of personal computers. The Computer City chain has 96 stores. A decision on possible store closings will not be made until the deal is closed.

Oil shares rose with crude oil futures. Crude gained on expectations that the Organization of Petroleum Exporting Countries will agree on further output cuts when the group meets Wednesday. Exxon rose 1 5/16 to 71 3/4, Mobil gained 2 3/4 to 78 5/16, the oil-field services company Schlumberger rose 1 to 67 1/4, and Texaco rose 1 1/16 to 60 9/16. (Bloomberg, Bridge News)

## Dollar Jumps Against Yen On G-7 Disappointment

Bridge News

NEW YORK — The dollar rose sharply against the yen Monday amid market disappointment that Japan did not present specific proposals for buying its ailing banking sector at the weekend meeting of Group of Seven industrialized nations in Tokyo.

"There had been expectations built up that there might be an announcement from Japan on tax cuts

## FOREIGN EXCHANGE

or on a more concrete solution to the bad loan situation, but neither of those expectations were fulfilled so the yen is lower," said Michael Hartnett, senior international economist at Merrill Lynch.

"The yen will move lower until Japan comes through with bolder policies," Mr. Hartnett said.

The dollar was quoted at 4 P.M. at 138.06 yen, up from 136.05 Friday.

Finance Minister Hikaru Matsunaga told G-7 officials Japan would move ahead with the disposal of its bad loans, estimated between \$500 billion to \$600 billion. U.S. officials said Mr. Matsunaga was committed to pushing ahead with a

plan to reform the banking sector before Japan's parliamentary elections on July 1.

"If Japan comes up with a credible plan to resolve its banking problem and to cut taxes, the pressure on the yen will be somewhat relieved going forward," Mr. Hartnett said.

The dollar climbed to 1.7940 Deutsche marks from 1.7888 DM on Friday, buoyed by fears that Russia may soon devalue its currency, the ruble. These worries stemmed from a report in a Russian paper that quoted Prime Minister Sergei Kiriyenko as saying the ruble could be devalued as "the worst case scenario for resolving the financial crisis."

The market's worries intensified after another Russian official said a ruble devaluation was possible if Russia failed to receive emergency International Monetary Fund aid soon. Russia is seeking an additional \$10 billion to \$15 billion from the IMF, with discussions on further aid slated to begin Tuesday in Moscow.

Against other currencies, the dollar was at 1.4978 Swiss francs, up from 1.4957 francs, and at 6.0130 French francs, up from 5.9820 francs. The pound was at \$1.6735, compared with \$1.6746 on Friday.

## U. S. STOCK MARKET DIARY

Index	High	Low	Open	Close
Dow Jones	8711.13	8711.13	8711.13	8711.13
S&P 500	1103.18	1103.18	1103.18	1103.18
Nasdaq	1805.86	1805.86	1805.86	1805.86
NYSE	1103.18	1103.18	1103.18	1103.18
AMEX	1103.18	1103.18	1103.18	1103.18

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NYSE	1103.18	1103.18	1103.18	1103.18
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NYSE	1103.18	1103.18	1103.18	1103.18
AMEX	1103.18	1103.18	1103.18	1103.18

## INTERNATIONAL FUTURES

Index	High	Low	Open	Close
Dow Jones	8711.13	8711.13	8711.13	8711.13
S&P 500	1103.18	1103.18	1103.18	1103.18
Nasdaq	1805.86	1805.86	1805.86	1805.86
NYSE	1103.18	1103.18	1103.18	1103.18
AMEX	1103.18	1103.18	1103.18	1103.18

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Nasdaq	1805.86	1805.86	1805.86	1805.86
NYSE	1103.18	1103.18	1103.18	1103.18
AMEX	1103.18	1103.18	1103.18	1103.18

Est. open 48,000. Est. vol 98,517					Est. open 22,000. Est. vol 22,399				
Fits open at 156.302, up 2.661					Fits open at 91.452, up 78				
<b>WHEAT (CBOT)</b>									
5,000 lbs minimum; cents per bushel									
Jul 96	287 1/2	284	284 1/2	-1/2	34,302				
Aug 96	302 1/2	294	297	-1 1/2	31,259				
Sep 96	302 1/2	294	297	-1 1/2	31,259				
Oct 96	311 1/2	309	311 1/2	-2	35,002				
Nov 96	311 1/2	309	311 1/2	-2	11,522				
Dec 96	311 1/2	309	311 1/2	-2	11,522				
Est. vol 11,522									
<b>PLATINUM (AMER)</b>									
50 Troy oz; \$100 per Troy oz									
Jul 96	342.90	354.30	357.90	-5.10	7				
Oct 96	360.50	358.00	360.40	-4.10	3				
Jan 99			339.90	-4.10					



## Alstom Shares Stay Flat in IPO

**PARIS** — Alstom SA remained steady on the Paris Bourse on Monday although the launch of Europe's largest offer of shares in a privately owned company came amid a renewed bout of jitters about the crisis in Asia.

The stock — 52 percent of Alstom's capital — was priced at 205 francs, in the middle of an expected range of 190 francs to 220 francs, and in Paris trading it stuck close to that level. It closed at 205 francs in Paris, £20.50 (\$35.69) in London, and 204.50 francs in Paris, \$34.0625 late in New York.

The issue was three times over-subscribed, but French fund managers said demand was on the low side. The flotation valued the group at over 43 billion francs (\$7.16 billion), making it one of the top 30 stocks on the Paris exchange. Chairman Pierre Bilger said, "With over 10 million shares traded, Alstom was the most active

stock Monday.

The stock failed to take off in a market worried that the Asia crisis would not dissipate soon. Asia, with about 20 percent of Alstom

# Nasdaq Seeks

*Reuters*

LONDON — The U.S. electronic stock exchange Nasdaq said Monday it was talking to other exchanges in Europe, Asia and the United States about possible strategic alliances to create its market share.

But a Nasdaq spokesman declined say which exchange was the most likely candidate for a link-up.

A British newspaper, Sunday Business, had reported that the German bourse and Nasdaq were negotiating to set up an electronic exchange to challenge London's

[illegible][illegible][illegible][illegible]

2495	2500	2505	2510
2500	2505	2510	2515
2510	2515	2520	2525
2525	2530	2535	2540
2540	2545	2550	2555
2555	2560	2565	2570
2570	2575	2580	2585
2585	2590	2595	2600

2605	2610	2615	2620
2625	2630	2635	2640
2645	2650	2655	2660
2665	2670	2675	2680
2685	2690	2695	2700
2705	2710	2715	2720
2725	2730	2735	2740
2745	2750	2755	2760
2765	2770	2775	2780
2785	2790	2795	2800
2805	2810	2815	2820
2825	2830	2835	2840
2845	2850	2855	2860
2865	2870	2875	2880
2885	2890	2895	2900
2905	2910	2915	2920
2925	2930	2935	2940
2945	2950	2955	2960
2965	2970	2975	2980
2985	2990	2995	3000

3005	3010	3015	3020
3025	3030	3035	3040
3045	3050	3055	3060
3065	3070	3075	3080
3085	3090	3095	3100
3105	3110	3115	3120
3125	3130	3135	3140
3145	3150	3155	3160
3165	3170	3175	3180
3185	3190	3195	3200
3205	3210	3215	3220
3225	3230	3235	3240
3245	3250	3255	3260
3265	3270	3275	3280
3285	3290	3295	3300
3305	3310	3315	3320
3325	3330	3335	3340
3345	3350	3355	3360
3365	3370	3375	3380
3385	3390	3395	3400
3405	3410	3415	3420
3425	3430	3435	3440
3445	3450	3455	3460
3465	3470	3475	3480
3485	3490	3495	3500
3505	3510	3515	3520
3525	3530	3535	3540
3545	3550	3555	3560
3565	3570	3575	3580
3585	3590	3595	3600
3605	3610	3615	3620
3625	3630	3635	3640
3645	3650	3655	3660
3665	3670	3675	3680
3685	3690	3695	3700
3705	3710	3715	3720
3725	3730	3735	3740
3745	3750	3755	3760
3765	3770	3775	3780
3785	3790	3795	3800
3805	3810	3815	3820
3825	3830	3835	3840
3845	3850	3855	3860
3865	3870	3875	3880
3885	3890	3895	3900
3905	3910	3915	3920
3925	3930	3935	3940
3945	3950	3955	3960
3965	3970	3975	3980
3985	3990	3995	4000

4005	4010	4015	4020
4025	4030	4035	4040
4045	4050	4055	4060
4065	4070	4075	4080
4085	4090	4095	4100
4105	4110	4115	4120
4125	4130	4135	4140
4145	4150	4155	4160
4165	4170	4175	4180
4185	4190	4195	4200
4205	4210	4215	4220
4225	4230	4235	4240
4245	4250	4255	4260
4265	4270	4275	4280
4285	4290	4295	4300
4305	4310	4315	4320
4325	4330	4335	4340
4345			

sales, is its third-largest market behind Europe and the United States.

Created in 1989 as a 50-50 joint venture of Alcatel SA of France and General Electric Co. of Britain, Alstom is now a French company and has changed its name from GEC Alstom.

Alstom, which makes the high-speed TGV trains and the Eurostar train, derives most of its business from making components, systems and services for power generation and transportation.

Asked about the consequences of

the Asia crisis, Jim Cronin, the Alstom deputy chief executive, said, "We're concerned, but not worried. We're in infrastructure projects of power and transport."

He said that Alstom has only 3 percent of sales in the five most affected countries, and said "places like China and India are almost unaffected."

Mr. Bilger said about 30 percent of the stock floated was placed with French investors, 30 percent with American and British buyers and 38 percent in the rest of Europe.

PolyGram refused to provide details on its second-quarter results before their official release in the third week of July. PolyGram has said its new music schedule is weighted toward the second half of this year.

PolyGram also announced that its chief executive officer and president, Alain Levy, had resigned, effective immediately.

PolyGram said its chief financial officer, Ian Cook, had been appointed chief executive for the period until PolyGram's takeover by Seagram had been completed.

PolyGram gave no reasons for the resignation. (*Bloomberg, Reuters*)

*Compiled by Our Staff From Descriptions*

**AMSTERDAM** — Philips Electronics NV said Monday it had agreed to lower the price Seagram Co. will pay for PolyGram NV to \$10.4 billion, a discount of \$200 million from last month's agreement, after second-quarter profit plunged at the recording company.

The big news was that the Montreal-based owner of Universal Studios values PolyGram at 115 guilders (\$57.04) a share, compared with the initial price of 117 guilders.

The news dragged down all three companies' shares, with PolyGram falling 0.2 guilder to 107.8, Philips sinking 3.9 guilders to 170.1 and Seagram losing 1.20 Canadian dollars to 60.20 dollars (\$40.92).

Philips, which is focusing on its electronic business and seeking higher returns, said it agreed to trim the price by about 2 percent because of "lower-than-expected financial results" in the second quarter.

That follows an 88 percent drop

PolyGram refused to provide details on its second-quarter results before their official release in the third week of July. PolyGram has said its new music schedule is weighted toward the second half of this year.

PolyGram also announced that its chief executive officer and president, Alain Levy, had resigned, effective immediately.

PolyGram said its chief financial officer, Ian Cook, had been appointed chief executive for the period until PolyGram's takeover by Seagram had been completed.

PolyGram gave no reasons for the resignation. (*Bloomberg, Reuters*)

[illegible][illegible]

### Investor's Europe

**Frankfurt  
DAX**

**London  
FTSE 100 Index**

**Paris  
CAC 40**

Exchange	Index	Monday Close	Prev. Close	% Change
Amsterdam	AEX	1,144.26	1,152.68	-0.73
Brussels	BEL-20	3,328.63	3,343.10	-0.45
Frankfurt	DAX	5,654.75	5,702.61	-0.84
Copenhagen	Stock Market	732.97	731.88	+0.15
Helsinki	HEX General	4,677.48	4,699.09	-0.46
Oslo	OBX	666.41	668.09	-0.25
London	FTSE 100	5,712.40	5,748.10	-0.62
Madrid	Stock Exchange	852.36	855.71	-0.39
Milan	MIBTEL	22413	22778	-1.60
Paris	CAC 40	4,018.64	4,027.32	-0.22
Stockholm	SX 16	4,012.64	4,037.09	-0.61
Vienna	ATX	1,462.98	1,481.41	-1.24
Zurich	SPI	4,718.12	4,725.70	-0.16

Source: Telekurs International World Telecom

- **Stagecoach Holdings PLC** will buy a 49 percent stake in **Branson's Virgin Rail Group Ltd.** for £138 million (\$231.1 million), giving Scotland's biggest bus company a hand in Virgin's plan to regenerate the London-Scotland train line.
- **VIAG AG** announced that its chief executive, **Georg Obermeier**, had decided to step down and would be replaced on July 1 by **Wilhelm Simson**, currently head of VIAG's specialty chemicals unit, **SKW Trostberg**.
- **Goldman, Sachs & Co.** said its **Whitehall Street Real Estate Limited Partnership IX** was in talks to buy **Cliveden PLC**, a British hotel company that agreed to be bought last week for £42.8 million by a group including **Microsoft Corp.**'s chairman, **Bill Gates**.
- **Russia** said the **International Monetary Fund** was setting excessively stiff conditions to a multibillion-dollar package designed to underpin the ruble and stave off financial collapse.
- **Fiat SpA** forecast that its 1998 pretax profit would be "in line" with last year's earnings, which reached 4.2 trillion lire (\$2.38 billion). Separately, Fiat said that **Cesare Romiti**, its outgoing chairman, would be given a 105.6 billion lire special retirement bonus.

	High	Low	Close	Prev.
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[illegible][illegible]

Funds		Assets	Assets	Assets	Assets	Assets	Assets	Assets	Assets
Funds		Assets	Assets	Assets	Assets	Assets	Assets	Assets	Assets
48	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
49	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
50	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
51	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
52	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
53	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
54	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
55	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
56	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
57	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
58	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
59	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
60	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
61	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
62	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
63	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
64	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
65	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
66	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
67	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
68	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
69	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
70	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
71	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
72	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
73	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
74	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
75	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
76	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
77	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
78	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
79	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
80	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
81	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
82	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
83	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
84	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
85	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
86	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
87	478	8,208	Cardinal	9.54	9,022	9,200	9,917		
88	478	8,208	Cardinal	9.54	9,022	9,200	9,917		

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Shenzhen		B shares index: 85.48	
		Premium: 0.47	
Bengang Steel	1.41	1.26	1.39
China Int'l Marine	4.85	4.21	4.82
Country 61 Paper	3.05	2.99	3.04
Shenzhen Cement	3.88	3.25	3.17
ST Fongchi	5.89	5.73	5.79
ST Kowloon Electric	7.50	7.00	7.38
Shenzhen Sog	2.99	3.76	2.81
Tsimen Kien	2.44	2.60	2.46

B shares only, quoted in Hong Kong dollars.

ner for your  
anking.

**CIBC**

**PRIVATE BANKING**

[illegible]

	Sing Air Freight	8.75	8.50	8.70
	Sing Bulk Freight	6.75	6.50	6.70
	Sing Ship Freight	12.75	12.50	12.90
	Sing Tech Equip	2.1	1.15	1.4
	Sing Tele Equip	2.4	2.25	2.3
	Sing Tele Systems	1.42	1.35	1.29
	Sing Transp Equip	6.60	6.30	5.7
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# arkets Punish the Yen

Japanese authorities have...  
that the Financial Supervisory...  
new financial watchdog...  
people that started up Monday...  
prove bank inspections. But...  
disappointed when the...  
Masaharu Hino, a former...  
said that the agency had...  
ortices. Asked if the agency...  
immediately start inspections...  
top 19 banks, he said, "I...  
decide that later."

■ U.S. Calls for Open Markets  
The U.S. trade representative...  
Gene Barshesky, said Monday...  
can had to deregulate and open...  
countries, especially to other...  
Agency to other...  
Japan must be the engine...  
for Asia," she said after talks...  
Japanese minister of international...  
and industry, Mitsuhiro...  
Ms. Barshesky, speaking to...  
meeting of trade ministers of...  
Pacific Economic Cooperation...  
and that in addition to fiscal...  
banking problems, Japan...  
regulate and open its economy...  
The forum is a "test of...  
regulate and open its economy...  
way, particularly to these...  
Asian region," she said.

# t on Their Security

analyze the results from a...  
transactions.  
Mr. Kocher said his team...  
as much time looking for...  
identifying the source...  
possible remedy involves...  
transaction in digital notes...  
randomly random...  
possible solution...  
Mastercard officials...  
in the latest...  
card software...  
operations...  
difficult...  
consumption of...  
goal...  
eliminate...  
approval of a...  
transaction. By some...  
costs for...  
transaction are...  
card...  
cost...  
long...  
and a large...  
each...  
customer and...



# RHÔNE-POULENC UNITING SCIENCES FOR LIFE

A SINGLE DISCOVERY IS KEEPING  
CROPS HEALTHY AND DOGS HAPPY.

The links between different forms of life are remarkable. For example, a new Rhône-Poulenc discovery to protect crops against insects is proving to be exceptionally effective in protecting animals against fleas and ticks. That's one powerful example of why we believe in linking our efforts in human, animal and plant health care. Ultimately, breakthroughs made in plant and animal science by Rhône-Poulenc Agro and Rhône-Poulenc Animal Nutrition and by Merial\* may even lead to advances in human health by Rhône-Poulenc Rorer and Pasteur Mérieux Connaught. Uniting the life sciences makes it possible to develop new products to meet the challenges of tomorrow.

\*50/50 joint venture with Merck & Co., Inc.

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By Karine Granier-Deferre  
*International Herald Tribune*

The French presence has remained modest with a community of about 200 people, and direct French investment in Kazakhstan represents about 2 percent of its total

"We used to clean only luxurious clothes like Christian Dior and Yves Saint Laurent," he said. "But now we see everyday clothes."

**'The image of France is very good here' in Kazakhstan.**

This is the same reason that Orlando Da Silva came to Almaty.

pines a hotel and a few restaurants, both Italian and Turkish. People who cannot afford meat come to his store to buy packs of leftovers made of bones, fat and gristle, which are used in soup and which cost 30 tenge a

"French products have a great reputation because they are associated with expensive and refined goods," said Ms. Carle.



**Casio Fears Losses From Fraud Case**

**TOKYO** — Casio Computer Co. said Monday it expected

Casio discovered last month that a deputy head of the funding division of its Tokyo head office conspired with people outside the company to channel \$30 million that Casio had deposited in a New York bank for three years, *mainichi* said. Nonchilist

**Compiled by Our Staff From Dispatches**

## Summers Says U.S. Will

Analysts said Monday the real test for the prime minister would be fixing the economy. "In terms of his political position, it's much better now," Bruce Gale, an analyst with Singapore-based Political and Economic Risk Consultancy, told Reuters Television. "But that doesn't mean he's going to be able to hold the line through next year." (AFP Reuters)

**Controlled by Our Staff From Dispatches**

finance, Gunanjar Kartasasmita, said, after meeting with Mr. Summers and the IMF Asia-Pacific director, Hubert Neiss.

Aid disbursements to Indonesia have been suspended since early May because of the political turmoil and violence that came with the ouster of former President Suharto, Mr. Habibie's predecessor. (Bloomberg, AFP)

## Background

Production is to start in 2000, and in the first year of operation 4,000 vehicles are to roll off assembly lines.

● **Avon Products Inc.**, the U.S. direct-selling cosmetics company, plans to open a chain of retail shops in Guangzhou, southern China, to salvage its business after a government ban on door-to-door sales in April, the official Xinhua press agency reported. Avon won permission from China this month to resume sales only through retail stores. Meanwhile, **Amway Asia Pacific Ltd.** said it had submitted a plan for consideration under Beijing's new guidelines and was optimistic it would be able to resume direct selling in China.

million metric tons, less than half the amount imported last year, because of a bumper domestic harvest, said a spokeswoman for Shanghai Textile Holding Co.

- Coca-Cola Amatil Ltd.'s shareholders approved a proposed spin-off of the Australian-based company's European assets and the purchase of two new bottling groups.

**TOKYO** — Casio Computer Co. said Monday it expected

Casio discovered last month that a deputy head of the funding division of its Tokyo head office conspired with people outside the company to channel \$30 million that Casio had deposited in a New York bank for three years, *mainichi* said. Nonchilist

Monday's 4 P.M.									
The 1,000 most traded National Market securities in terms of dollar value, updated twice a year.									
The Associated Press.									
Symbol	High	Low	Stock	Do	Yr	PE	High	Low	Change
AA	100	99	AA	100	99	10	100	99	10
AB	100	99	AB	100	99	10	100	99	10
AC	100	99	AC	100	99	10	100	99	10
AD	100	99	AD	100	99	10	100	99	10
AE	100	99	AE	100	99	10	100	99	10
AF	100	99	AF	100	99	10	100	99	10
AG	100	99	AG	100	99	10	100	99	10
AH	100	99	AH	100	99	10	100	99	10
AI	100	99	AI	100	99	10	100	99	10
AJ	100	99	AJ	100	99	10	100	99	10
AK	100	99	AK	100	99	10	100	99	10
AL	100	99	AL	100	99	10	100	99	10
AM	100	99	AM	100	99	10	100	99	10
AN	100	99	AN	100	99	10	100	99	10
AO	100	99	AO	100	99	10	100	99	10
AP	100	99	AP	100	99	10	100	99	10
AQ	100	99	AQ	100	99	10	100	99	10
AR	100	99	AR	100	99	10	100	99	10
AS	100	99	AS	100	99	10	100	99	10
AT	100	99	AT	100	99	10	100	99	10
AV	100	99	AV	100	99	10	100	99	10
AW	100	99	AW	100	99	10	100	99	10
AX	100	99	AX	100	99	10	100	99	10
AY	100	99	AY	100	99	10	100	99	10
AZ	100	99	AZ	100	99	10	100	99	10
BA	100	99	BA	100	99	10	100	99	10
BB	100	99	BB	100	99	10	100	99	10
BC	100	99	BC	100	99	10	100	99	10
BD	100	99	BD	100	99	10	100	99	10
BE	100	99	BE	100	99	10	100	99	10
BF	100	99	BF	100	99	10	100	99	10
BG	100	99	BG	100	99	10	100	99	10
BH	100	99	BH	100	99	10	100	99	10
BI	100	99	BI	100	99	10	100	99	10
BJ	100	99	BJ	100	99	10	100	99	10
BK	100	99	BK	100	99	10	100	99	10
BL	100	99	BL	100	99	10	100	99	10
BM	100	99	BM	100	99	10	100	99	10
BN	100	99	BN	100	99	10	100	99	10
BO	100	99	BO	100	99	10	100	99	10
BP	100	99	BP	100	99	10	100	99	10
BQ	100	99	BQ	100	99	10	100	99	10
BR	100	99	BR	100	99	10	100	99	10
BS	100	99	BS	100	99	10	100	99	10
BT	100	99	BT	100	99	10	100	99	10
BV	100	99	BV	100	99	10	100	99	10
BW	100	99	BW	100	99	10	100	99	10
BX	100	99	BX	100	99	10	100	99	

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